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WEST EUROPE REPORT

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NUCLEAR, CONVENTIONAL DETERRENCE VERSUS U.S. BISHOPS' LETTER

Paris ETUDES in French Oct 83 pp 377-388

[Article by Francois Gorand: "Nuclear Deterrence: Questions for the American Bishops"]

[Text] The pastoral letter of the American Catholic bishops¹ has received attention principally because of the judgment which it has rendered upon nuclear deterrence or more exactly on the American policy of nuclear deterrence. However, it aims beyond that, intending as it does to make a contribution for the American hierarchy toward a "new theology of peace."

It is the great merit of the American bishops that they have had the courage to rise above the mere registry of large incantatory generalities often inherent in this type of document. Resisting the temptation to adopt either one of two facile positions--that of renouncing every critical attitude in the face of nuclear arms in the name of deterrence, and that of a blanket condemnation of deterrence in the name of nuclear horror--they have sought to form a carefully thought-out opinion on what is called a "strategic policy" which would be compatible with a Christian ethics.

Let us say at the outset that this opinion appears surprising from the French point of view--and here we do not claim to express anything but the reaction of a French "expert." Surprising because on the one hand the American bishops are in accord in rallying² around a conditional acceptance with this acceptance being provisionally based upon the concept of nuclear deterrence, in conformity with the message of John Paul II before the special session of the United Nations on disarmament;³ but on the other hand they reject three of the foundations of "real" nuclear deterrence in the sense in which it functions at the present time: the pastoral letter considers as morally unacceptable any strike against a city (because this would be equivalent to a "total war"), including here any attack as reprisal against attacks of the same nature; it rejects every first use of nuclear arms;⁴ it rejects almost completely the concept of "limited" nuclear exchanges since these involve the risk of mounting to extremes.⁵

Too Much or Not Enough

The result is that the document leaves the impression of either doing too much or not enough to be truly convincing. If one considers, as is the case with the American bishops, that the priority is to struggle against the tendency which would appear to exist in the Reagan administration to think in terms not of deterrence but of nuclear war (winnable, limitable, prolongable, etc.), the bishops have gone too far in giving the impression that they have found arguments in every camp for limiting the role of nuclear arms at any price, this at the risk of ending up with a sort of blank slate of nuclear strategies. Ranging far beyond their proper objective the authors weaken the force of their message. At the same time the bishops don't do enough because rejection of the essential foundations of deterrence should in strict logic lead them to question the very concept of deterrence; failing that, they permit the reader to make use of the logic of dissuasion to dispute their approach to the question.

Now it seems to us that one cannot accept dissuasion and at the same time be opposed equally to the two traditional schools of thought which, in the American debate, are attached to the search for means of assuring deterrence: first, the "liberal" school which using the concept of "deterrence by mutual assured destruction" defined by MacNamara in the sixties is based upon a massive ("anticity") and invulnerable capacity for a second strike in order to stabilize the deterrence, thus having the effect of containing as much as possible capacities for "limited" war. Secondly, there is the school of thought of the "hawks" who think on the contrary that the credibility of deterrence is a function of the possibility presented to the decisionmaker of escaping from the all-or-nothing dilemma of massive strike and leaving him therefore free to adopt a spectrum of options--ranging from the most limited to the most massive--corresponding to the capacities of the adversary.

With regard to the first school of thought, the bishops retain the view that the "stability" of deterrence demands the greatest prudence in the installation of antforce systems, enforcement of means of "verification and command," etc. But, on the other hand, they differ from the first school in rejecting, as we have seen, in the name of preserving the lives of noncombatants every use of nuclear arms in a strategy directed against cities. Having done this, they should logically as A. Wolhstetter⁶ remarks adhere to the second school: if one renounces dissuasion based upon the threat of "mutual suicide" inherent in anticity capacities it still remains necessary to have other means of deterrence--strikes against military objectives, economic objectives, etc. But the bishops refuse, faithful in this to the liberal tradition, to support a process of threat "gradation" which to them appears to carry the seeds of the danger of precipitating the use of nuclear arms--hence of nuclear war.

So, what remains? To the degree that the pastoral letter shows itself to be radical in its criticism of the strategies of deterrence, rejecting equally the two traditional approaches, to that same degree it reveals a great conformism in its proposal. Its interpretation of the "just war" leads to a general philosophy which, to tell the truth, is consistent with any rational

approach. According to this philosophy the moral position (or simply the position of wisdom) is to depend as little as possible upon recourse to nuclear arms, which should intervene only when all other means of defense have been exhausted. From this point of view the American bishops hardly differ with the current idea, certainly the dominant one today in American strategic thought, which tends to validate the role of conventional arms and to diminish that of nuclear arms, especially tactically.⁷

If one carries this line of thought to its logical conclusion the ideal would be to never use nuclear arms until the adversary has had recourse to them first; this supposes that there exists a capacity to resist conventionally a conventional attack. As long as this condition is fulfilled one can announce that one will not use nuclear arms first (no first use). The American bishops--with prudence in some places and very frankly in others--support this strategy called "no first use" which differs from the current "orthodoxy" of the American analysts in that it interdicts a priori all first recourse to nuclear weapons, while the "Rogers plan," for example, only aims at reaching a situation in which a first recourse to nuclear weapons would become less necessary.

This debate primarily concerns Europe. It is possible that the moral considerations put forward by the pastoral letter may go along the same line as the arguments relating to credibility in the face of the adversary and relating to acceptability by public opinion--these being arguments of those strategists who are partisans of the "no-first-use" school. But from a European point of view these considerations do not thereby get rid of the realities: as the facts actually stand the commitment by our allies not to have first recourse to the nuclear weapons reduces to accepting the prospect of a conventional defeat since in the European theater it is the threat of nuclearization of the conflict which compensates for the conventional inferiority of NATO. The American bishops like the partisans of no first use reply: correct this conventional inferiority. Now on the one hand the whole world knows that the Europeans do not have the means to achieve such an objective, not only financially but also--and the American bishops ought to reflect on this--in human terms: faced with militarized states in the East can one raise one's defenses to the same level as the latter without becoming oneself a militarized state? And on the other hand supposing even that one could eventually establish a conventional equilibrium in Europe, all history shows that such an equilibrium is much more unstable than a nuclear equilibrium. In other words, a "conventional deterrence" would render much more probable a war in Europe which though not nuclear would not be any the less fatal.

Fear Is a Bad Counselor

But to read the pastoral letter one gets the impression that only nuclear arms constitute something horrible (there is practically not a word, for example, about chemical or bacteriological arms). And that is a second source of astonishment for a Frenchman. One can easily understand the special responsibility which the American conscience feels with respect to nuclear weapons. One can admit, in the current context, the need to react against the "banalization" of nuclear arms expressed by certain official American

utterances, although in our opinion, as we shall try to show shortly, the true issues of the current strategic problem lie neither in one of these areas nor in the other. But it appears surprising to us that the American church like others does not distance itself more from the movement of great nuclear fear which is at the present time taking place in the West. Let us frankly say that we are a little embarrassed by the insistence with which the bishops develop the theme of the risk of death inherent in the "nuclear threat" for all humanity.⁸ Undoubtedly, the church could not fail to manifest that it shares a concern which is that of many people of consequence. This was the intent of the study required of the Pontifical Academy of Sciences by His Holiness John Paul II and published in November 1981. In any case it is one thing to show that one is sensitive to the "signs of the times"; it is another to participate in their orchestration without prior criticism. Apocalyptic description of the consequences of a nuclear war has become in the United States and elsewhere a fashionable genre. It is not by contributing to this "millenarian" feeling that one accomplishes anything for the progress of peace.

On the contrary, fear is a bad counselor. It appears that it is this fear which deprives the writers of the document of that detachment which could have permitted them to place their subject in its historical context (the evolution of doctrine) and in its strategic context (the ratio of forces).

The American bishops should have asked themselves, for example, why this questioning of deterrence, in which, nolens volens, they are participating, takes place in the United States exactly at the moment when the latter country has lost nuclear superiority? They would then have recognized that the doubts which they themselves are beset by are part of a general movement which consists of a crisis in established "strategic models," a crisis for "deterrence by mutual assured destruction" (MAD) of which we have already spoken, as applied to "central deterrence" (United States/USSR); a crisis in "graduated response" which is the strategy reputed to assure "extension of deterrence to Europe," or more simply the "nuclear guarantee" of the United States with regard to the Old Continent. This devaluation of the established strategic models has a simple origin: the context in which they were invented has changed; the evolution of strategic ratio (parity) and of the euro-strategic ratio (SS 20) once more opens up to questioning the postulates upon which "MAD" and graduated response were built and this questioning itself is aggravated by the deterioration of the political relation between the East and the West.

Now the reaction of panic which consists in confounding a crisis of deterrence strategies--which are contingent--with the necessity for doubting deterrence itself has the consequence that the crisis of deterrence strategies is transformed into a crisis for deterrence itself since this confusion undermines the latter in its most essential dimension, namely the psychological dimension. Thinking to deal with a problem the American bishops are themselves one of the elements of the problem.

The Crisis of Strategies

Let us clearly understand: we do not want to say here that everything is for the best in the best of all possible deterrences. If we think that it is possible to avoid putting deterrence in question, on the condition that Western nations preserve their calm, we do not at all underestimate the seriousness of the devaluation of the nuclear strategies--at least of the American nuclear strategies--of the "classical" epoch, that is to say the epoch in which the United States had nuclear superiority.

Let us recall that historically the strategic policy of the United States since MacNamara has always been a compromise between the two schools of thought mentioned above. This compromise like every other compromise was founded on an ambiguity: the validity of deterrence by "mutual assured destruction" assumes, in addition to the exclusion of antimissile missiles which received the blessing of SALT I (concept of "hostage population"), a limitation on the selective strategic options; because these latter options involve the risk of compromising the "capacity for an anticity second strike" on which as we have seen "mutual assured destruction" is based (it is precisely this which is taking place at the present time). "Graduated response" postulates the opposite, that is to say it postulates a variety of options necessary for "escalation" without which there does not exist any possible "coupling" between the defense of Europe and that of the United States. Now technological evolution--or the failure of disarmament negotiations aimed at controlling it--has resulted in an incessant multiplication and refinement of capacities for precise strikes capable of destroying the armament of the adversary. This evolution is particularly apparent since the appearance--and chronologically speaking this was first in the Soviet arsenal--of capacities for antisilo first strikes (SS 18) at the strategic level (from continent to continent) and the appearance of capacities for first antiforce strikes in the European theater (SS 20).

At the central level (USSR/United States) there results from this a double impasse: a technical one, since the technological spiral produces an exhausting race leading to the mutual vulnerability of the systems of armament (and from this there reemerges interest in antimissile armament, that is to say defensive armament, regarding which the bishops were probably wrong not to speak); a political impasse, since if the same evolution justifies retrospectively the school which insists upon a variety of options in relation to the capacity for a second massive strike this victory of the "hawks" is very costly to them politically: the crisis having awakened sensitivities, the anticity strategy deprived of the aura of "stability" which it originally had from then on appears to be what it is in the eyes of the liberals, namely a form of blackmail by terror; but the same liberals continue to reject the alternative policy, namely that of looking for a limitation on conflict. There once again the text of the bishops is a good reflection of the crisis but it contributes hardly anything to facilitating the task of those whose responsibility it is to bring the United States and its allies out of this crisis.

On the European level the problem is still more complex and it is normal that it should not be central to the preoccupation of the American church. In a

word let us say that there, too, the reversal in the ratios of force, in quantitative terms, and the nature of the Soviet-American equilibrium in qualitative terms by "hardening" the strategic context has brought out the ambiguities--technical, political and strategic--in the protection of Europe by the American atomic umbrella.

Three Things That Have Been Forgotten

This is not the place to debate solutions to be applied to this crisis of the "coupling" between Europe and the United States any more than to the crisis of "central deterrence." We simply wish to make three remarks.

In the first place it appears to us that put into its proper context the problem is not, as the American hierarchy believes, one of preserving deterrence from the immoderate taste which the Reagan administration seems to have for "nuclear war." It is rather to reaffirm deterrence by reestablishing an equilibrium of the arsenals,⁹ even if--justifying in this regard the disquiet of the bishops--the rearmament effort which this presupposes must not range beyond its objective and thus compromise deterrence in the effort to save it.

In the second place it is intellectually impossible and morally untenable to make an abstraction of "the enemy" as is often the temptation of the American tradition of resistance to the arms race. To take only one example, thinking on the subject of the dangers of selective exchanges or of capacity for nuclear combat (war fighting capacity) cannot be conducted as though it involved a choice which only concerned the free will of the American decision-maker or only concerned the relations between the latter and his allies. Because the Americans could think of themselves as being at liberty to choose their strategy as a function of their preference while they had superiority over the Soviet Union. This is no longer the case today, but far from it. Once the Soviets have developed and diversified their arsenal giving themselves in face of the Americans, we repeat, antforce capacity at the strategic level (SS 18) and at the eurostrategic level (SS 20) it is no longer a time to ask if it is good or not good to proceed with a comparable diversification: one must either have that diversification or accept a policy of leaving to the adversary a capacity for powerful coercion in a crisis. Let us make clear that it is not the intention here to say that responsible Americans should not do everything possible to check an absurd race toward technological perfection in honestly attempting to negotiate with the USSR. But since it takes two to negotiate one can only impose upon the American Government an obligation with regard to means and not with regard to the end.

Finally, in the third place any thinking on these problems presupposes an extremely subtle and accurate handling at the same time of the technological data and of the conceptual data (in particular the coupled term "use/deterrence"). The temptation is great to reason in terms of clichés: in terms, notably, of "limited nuclear war" associated almost automatically with modern precision armament. Now, to take only one example, the Pershing II which will be installed in the French republic at the end of 1983 if there is no Soviet-American agreement at Geneva is not a weapon of "limited nuclear war" even though it has technological characteristics. The Pershing II is in fact

the contrary since permitting as it does a riposte onto the territory of the USSR its employment would have the result of extending the conflict to the two superpowers (which is the opposite of a "limitation" of the conflict) and they would also be the result, since this prospect is undoubtedly not acceptable to the two superpowers, that they would avoid finding themselves in a situation where the Pershing II would have to be used: thus here we are actually dealing with a case of deterrence. And one could multiply the examples.

By not having rigorously respected these three rules the message of the pastoral letter loses a great part of its credibility.

The Metaphysical Implications of Deterrence

Now the message of the pastoral letter entails capital importance for a Christian in the question which it poses: while the American bishops do not dispute "legitimate defense," does it justify defending oneself by any means whatever and notably when it involves weapons which entail the risk of destruction of the "work of creation"? It appears that one must approve the American episcopate when it asserts that adherence to a policy of deterrence would not justify any strategy whatever or any policy whatever.

The entire problem is to know what criterion to employ--in a given situation and faced with a given potential adversary--to determine a norm. A strategist lacking competence in the domain of ethics and hence hesitating to venture into that domain would not be able to say whether the dissatisfaction which he feels with the judgment of the American bishops results from what he believes to be a poor perception on their part of the current concrete context or from the unsuitability of the moral criterion which dominates their thinking, that of the theory of the "just war." At the very most he might venture to be astonished that the American pastoral letter has not attempted to further deepen thought in an area which is essentially ethical--this being after all what one would expect primarily of the church.

Must it be admitted? It appears to us that there is a cleavage between the aim declared in the title of the document--to establish a "new theory of peace"--and the classicism of the analysis by the American bishops of a "true peace" which repeats the analysis in the official documents of the church and notably those of Vatican II and of the pope's. The American bishops perform a useful service in recalling the evangelical vision of a world which is certainly dominated by evil and impregnated with sin but in which the Kingdom of God already exists and will triumph little by little over evil. It is the tension between the realistic recognition of the existence of evil and the will, based upon the hope for the triumph of good, to contribute to the emergence of the Kingdom of God which constitutes the specific nature of the Christian approach. Still, it is not necessary to unduly emphasize the one or the other term in this tension or to unbalance the relation which exists between them.

Now there also we have a tendency to think that the American bishops either go too far or not far enough. The world of today seems to us to be at the

same time worse than and less dramatic than its description in the pastoral letter.

Worse? The pastoral letter could have put more in evidence the pernicious character of a logic of nuclear terror which suspends over humanity a very serious risk not solely in the case of a breakdown of deterrence but even--psychologically, politically, morally--within the context of successful functioning of deterrence. And particularly, is there not something illusory about suggesting that deterrence could be a "transitory situation"? In this regard, the "complacency" as Father Thibaud says¹⁰ with regard to the preaching of nonviolence appears to us to be tragically disconnected from reality, a reality which includes among other things totalitarianism. K. Jaspers appears to have said it all in remarking that there is only problem more important than the bomb--and its capacity to destroy humanity--and that is totalitarianism and its capacity to destroy man. Now humanity is not going to disembarass itself from the "bomb" and to leave the monopoly of the latter to totalitarianism (which is the "nonviolent" option of the pacifist) represents a wager which is certainly arguable--of the same order as that which Rousseau counseled to the Poles in urging them not to oppose their enemies with their enemies' weapons, in order not to lose their soul--but such a wager entails a risk that one must weigh very precisely. In rejecting this risk for the present while suggesting that it might make sense over the long term the pastoral letter does not appear to us to have truly clarified Christian thought.

Let us clearly understand: to choose the other risk, that of deterrence, also constitutes a wager having dramatic implications and complacency with regard to nonviolence does not appear to us to be strange only in the face of the nuclear/totalitarianism complex but also in the face of the horrible phenomena of oppression which have been familiar to the Third World.¹¹ Let us be clearer: it is not a question of demanding that the churches justify some particular nuclear policy in the name of antitotalitarianism and even less is it a case of expecting from them some sort of "moral rearmament" for an anti-communist crusade. We understand that within the American context the church in the United States has reasons to be prudent on this point. But what appears to us on the other hand to be the specific role of the church is that it should examine in the manner of Pascal, exempt from every illusion and from all complacency, the unfathomable evils into which we are being driven by the dilemmas of a world dominated by totalitarianism and nuclear weapons. This implies, it appears to us, that the church shall rediscover a radical discourse on the subject of "evil" which would go far beyond the evocation of a better world in which a world government, unconditional detente with the East and an opening toward the Third World would bring true peace.¹² At the same time, and it is here that the pastoral letter perhaps tends toward excessive pessimism, to despair of our world situation would be to despair of man--and therefore finally of God. In this respect one may be permitted to think that a "Pascalian attitude" toward today's world would reject the easy route which adheres to an exclusively negative view of atomic weapons. For the latter represent above all a fantastic test of human reason. Up to now reason has prevailed over force. Of course, there is no need to treat deterrence as a sacred object. But as long as there is no alternative to deterrence it should be seen for what it is: a formidable gamble with death and

evil to be sure, but one from which there issue life and peace. Today, for the men of the developed countries, does not "dignity" mean dominating this gamble and not being dominated by it? For them does not the "challenge of peace" mean continuing to deal rationally with the frightening irrationalities of nuclear terror--and not taking refuge from them in an attitude of fearful rejection?

If one thinks in this way, as we do, the church will in consequence be unable to limit itself to an invocation of the need to substitute other logics for the logic of the balance of nuclear forces as though the latter could ever disappear. Rather, does there not exist an ethics of responsibility to be constructed around the dilemmas of deterrence, but within deterrence itself? The American bishops have in a sense contributed to this by noting that responsible persons ought to impose upon themselves a certain number of self-limitations. Now it is necessary to go further: to probe the metaphysical implications of deterrence, to discern its positive value for the moral destiny of man. After all, deterrence pushes to an extreme a range of problems that ought not to be unfamiliar to a religion in which "who seeks to save his soul will lose it," and it is a part of the civilizing vocation of the Christian churches to bring to the culture of our time this nuanced ethics of deterrence without which one must fear that this culture will be subdued either by the laxity of unreasoning terror or by the intoxication of the illusion of power.

FOOTNOTES

1. "The Challenge of Peace: The Promise of God and Our Response," adopted at Chicago on 2-3 May 1983 by 238 votes to 9. French text in LA DOCUMENTATION CATHOLIQUE, 24 July 1983, pp 715-762. See also Francis X. Winters, "Des revolutionnaires malgre eux ...," ETUDES, July 1982, pp 5-19.
2. Readers acquainted with the preceding versions of the text will not find exaggeration in our use of the word "ralliement" [rallying about].
3. Compare LA DOCUMENTATION CATHOLIQUE, 1982, pp 663-667.
4. "We do not envisage any situation in which the deliberate unleashing of a nuclear war, be it ever so restraining, can be justified morally" (DOCUMENTATION CATHOLIQUE, 1983, op. cit., p 738).
5. Rather than enter into the very complicated debate--which this pastoral letter does not really settle--on the question as to whether this mechanism of "escalation" does not constitute not so much a danger as a necessity which is more or less controllable under existing technological conditions--the interested reader is referred to the very important article by A. Wolhstetter in COMMENTARY, "On Bishops, Statesmen and Other Strategists," June 1983.
6. Compare Note 5.

7. This is notably the idea of the "Rogers Plan," named after the American commander of the NATO troops.
8. Is there not a reflection of intellectual confusion in the terminological confusion contained in this expression, as though it were nuclear weapons themselves which constitute the threat, an "objective" threat independent of the men who release it?
9. It is for this reason that we cannot subscribe to the support, be it ever so indirect, given by the pastoral letter to the movement favoring a "freeze."
10. ESPRIT, July 1983.
11. In this connection it is striking that people discover the virtue of nonviolence in countries protected from war and internal conflict and that the theology of liberation tends to justify violence against oppression in the countries where there is great poverty and dictatorship.
12. Compare DOCUMENTATION CATHOLIQUE, 1983, op. cit., p 761.

8008

CSO: 3519/37

RESULTS, CONSEQUENCES OF PUBLIC EMPLOYEES' STRIKE

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 15 Oct 83 p 3

[Article by Heinz Stadlmann: "Martens has to Cope with the Consequences"]

[Text] Two and a half months after his heart operation and a lengthy recuperation, Prime Minister Martens resumed governing this week. Great demands immediately faced the slimmed-down, 47 year old Christian Democratic politician: President Mitterand spent 3 days in Belgium on an official visit and used the encounters for support of additional arming. In the new parliamentary session, Martens must defend the austerity budget for 1984 and face the criticism of the delegates who accept only with great misgivings the bypassing of the Chamber and the Senate through special emergency powers for the government.

The just-ended strike by public employees will have consequences for both the government and the parties. After the recent experience, the Liberal coalition partner wants to tighten the strike law. Among unresolved questions looms the restructuring of the Walloon steel industry, which may bring new social unrest because of a planned dismissal of 8,000 workers. Lastly, Martens' government will have to take a stand on the deployment of new U.S. nuclear weapons. So far, there is no clear-cut decision on the deployment of 48 cruise missiles.

The coalition of Christian Democrats and Liberals survived Martens' long absence much better than many had expected. French-speaking Liberal Gol managed, as interim head of state, to hold together the cabinet which had been put under pressure by the strike. This was not easy since the Christian Democrats were more willing to make concessions than the Liberals. The government had to give in on some points in order to end the strike. There will be no changes in the near future in office personnel, despite the high employment figures in public service. Planned cutbacks in social security benefits for public servants were rescinded. The government claims to maintain its austerity goals, but more detailed calculations raise doubts on that point.

The two-week strike has left its imprints. It showed that rigorous savings measures due to a scarcity of public funds run into resistance. It is unusual in Belgium that a strike is widely observed and leads to work stoppages in Flanders as well as Wallonie. The solidarity between the Socialist and Christian labor unions was also surprising. The strike was clearly directed against the government's austerity policy, although with the certainty of not risking one's job. The attempt to include the private sector also failed.

Nevertheless, the action was unpopular with the population. Belgians are not easily rattled, and inconvenience is borne calmly. But the stoppage of almost all means of transportation, the lack of garbage collection and mail delivery, and the chaotic car traffic in the morning and evening hours led to pronounced expressions of annoyance. The strike organizers used rigorous measures to ensure its observance. Pickets in front of bus stations behaved like militiamen, a Liberal politician declared.

In the meantime the costs have been totaled up. The port of Antwerp, where lockkeepers blocked all shipping, lost 4 billion francs. In the case of the national railroad, losses are estimated at 200 million; public savings banks which kept their counters closed lost some accounts, and many pensioners did not receive their money. Also strained were the labor unions' strike funds, since they had to make up--at least partially--the salary losses of their members. In neighboring Holland, the government has warned its public employees against a strike "a la Belge" and in Paris, where the government also has to watch expenses, the attitude of the Belgian government was also closely studied.

The Liberals want to use the occasion for tightening the strike law. Officially it is being said that it is only a question of eliminating excesses and abuses. But the labor unions suspect more far-reaching intentions and fight against the Liberals' initiative. The latter want, first of all, that strike ballots be secret and that at least 50 percent of employees are in favor. The right to work is to be guaranteed just like the right to strike. If strikes should cause danger, conscripted labor should be allowed. It is, however, unlikely that a parliamentary majority can be found for new strike law regulations. Prime Minister Martens has already declared that the initiative of the Liberals will not be incorporated in the government's program.

The next hurdle for the government will be the restructuring of the largest steel mill in Wallonie, Cockerill Sambre. Martens has already announced that he will hold to his intention of submitting the restructuring plan to the workers' vote. This is to be discussed with the labor unions on 18 October. The Socialist labor union movement has already stated that it will not participate in the implementation of this plan which provides for the dismissal of 8,000 workers out of a total of 22,000. It was learned in recent days that the steel mill urgently needs new funds to prevent a threatened collapse. It is considered certain that it can't be done without subsidies from Brussels' coffers.

The Socialist opposition parties apparently reaped no gains from developments of recent weeks. A poll on the present election chances of the parties showed the Socialists weaker than in the last elections, and noted a slight loss for the Christian Democrats. The Liberals, on the other hand, did significantly better.

9917

CSO: 3620/35

BUDGET COMPROMISE PROBABLY GUARANTEES SCHLUTER SURVIVAL

Copenhagen BERLINGSKE TIDENDE in Danish 25 Oct 83 p 10

[Editorial: "Worth the Costs"]

[Text] The budget compromise which was entered into yesterday first and foremost means that the government, in all probability, will have a quiet political fall. The compromise with the Progressive Party and the Radical Liberal Party is of such a nature that a fixed course may be set, as far as the economic policy is concerned, and that broad agreement may thus be reached on the content of the budget for 1984. It is worth stressing that the natural consequence of the compromise must be that the Progressive Party for the first time in the history of the party will vote for the budget. By so doing, it has made what may be a decisive departure from the position of protest which has previously marked the existence and conduct of the party.

In addition, there is reason to be gratified that an election was avoided. Even if an election probably would not have altered the present constellation of power, it, nevertheless, would have had a disturbing effect both on the political life and on the society. That has now been avoided, and there is every prospect that we are on our way into the longest Folketing election period since 1968-71.

Finally, there is reason to be gratified that the game between the government and its two supporting parties has been brought to an end. As it unfolded, one became increasingly unpleasantly affected by its nature. It became increasingly clear that the government was in an extremely difficult negotiating position because it had to negotiate alternately with two different parties. When one party left the negotiating premises, the other one entered. When concessions were made to one party, there were protests from the other one. It is a form of negotiation which will wear out the party in the center and which will undermine the reputation which should normally surround the government work and the Folketing work.

It has been said that the negotiations were reminiscent of a game of cards, because it was a question of avoiding playing a losing game as this might be proclaimed to be the direct cause of a general election. The description, however, only covers the situation partly. For it was just as much a question of a repetition of the old, well-known balance of power game,

where the government plays the role of the one maintaining the balance between the two supporting parties. The balance has all the time been precarious. This was the case 12 months ago when the government was formed, and it was the case during the round of negotiations to reach a compromise. The most important result of the compromise is the fact that the balance has now been stabilized. It is a result which both in the short run and in the long run will prove to be worth the costs.

7262

CSO: 3617/27

STALINIST PAPER HITS U.S. AS UN HOST

Helsinki TIEDONANTAJA in Finnish 22 Sep 83 p 2

[Editorial: "Finland and the UN"]

[Text] The headquarters of the United Nations are located in New York. The fact is that in almost all the years that the UN has been in existence UN representatives from the Soviet Union, above all, but also from the other socialist countries have every now and then been subjected to harassment. Even their physical inviolability has been violated several times.

The United States has an agreement with the UN on the basis of which the UN delegations of all countries are guaranteed free access to New York. Now this agreement -- as the UN General Secretary has stated -- has been grossly violated in preventing the normal arrival of the Soviet UN delegation to New York.

What is the delay in Finland's stand condemning a measure violating the principles of the UN? And what is the meaning of the Finnish UN ambassador's curious statement according to which it was supposedly a question of an internal matter in the U.S.?

It is time to note that U.S. actions are driving the UN into an untenable position. In this situation Finland should begin to put out feelers for moving UN headquarters away from New York to such a country in which the organization's unhindered work can be guaranteed.

10576
CSO: 3617/14

STALINIST PAPER COMMENTS ON KOIVISTO'S TRIP TO U.S.

Helsinki TIEDONANTAJA in Finnish 23 Sep 83 p 2

[Editorial: "Koivisto's USA Trip"]

[Text] President Mauno Koivisto will begin his visit to the United States on Saturday. During his trip Koivisto will meet with the highest leadership of the United States, including President Reagan.

During the visit there will naturally be a discussion of the international situation, which is perhaps more strained than it has ever been since World War II.

An active contribution to the urgent questions threatening world peace is now expected of President Koivisto in accordance with Finland's peaceful foreign policy line in his meetings with the leadership of the United States as well as in his speech to the United Nations.

There can now be no reasons for not taking a stand against Euro-missiles, among other things. It is absolutely necessary to state that Finland considers its own national interests to be threatened inasmuch as the United States deploys new nuclear missiles in Western Europe.

It is imperative to adopt an unambiguous stand on events in the Near East and Central America where actions of the U.S. leadership are creating a threat to world peace.

Appealing to a policy of neutrality and refraining from a stand are not correct when it is a question of the fate of all humanity.

10576

CSO: 3617/14

AUSTERE BUDGET BILL CRITICIZED BY STALINIST ORGAN

Helsinki TIEDONANTAJA in Finnish 23 Sep 83 p 2

[Editorial: "Budgetary Policy"]

[Text] The government's budget proposal contains an unprecedented number of various cutbacks and reductions in benefits and services important to workers and the economically underprivileged.

For example, the government is treating pensioners in an unbelievably arrogant manner. At the same time the intent is to weaken the indexing protection for retired people and the housing subsidy for people receiving a national pension and in addition to this, the government is threatening to carry out even more new reductions in the indexing protection for pensioners. These slashes worth several hundreds of billions of markkaa will negate a large portion of the pension reforms, which even otherwise have been diluted by the fact that pensioners are being made subject to the income tax.

The promises made by the SMP [Finnish Rural Party] for reducing unemployment remain completely empty. The labor force employed by actual appropriations for jobs is decreasing. Increases in Labor Ministry appropriations have been received only by transferring responsibilities that were previously a part of the Education Ministry to the Labor Ministry.

Also the speeches of the Social Democratic Party on support for families with children or the Center Party's programs to support benefits for the farm population are not being incorporated into the budget.

The promise to slow down the inflation rate to 6 percent is difficult to take seriously since the government itself is predicting an average price increase of 8 percent for next year. Many payments are being increased by more than 6 percent, and taxes paid by the average citizen are being increased. The interest rate on housing loans is being radically raised.

It should be taken into consideration that this kind of a budget policy has been based on tax and payment relief granted to the large corporations in the years 1977--82, among other things. Since big capital has received relief amounting to several billion markkaa, it is now easier than before to

argue that there is no room for "reform". Moreover, a portion of the reductions in development programs for social services is only a continuation of earlier reductions.

The Communists have a clear alternative to the government's budget policy, which was presented in the decisions of the June and September meetings of the SKP Central Committee. These decisions will provide a basis for an acute opposition policy, on which the trust of the masses in the Communists has rested even before.

10576

CSO: 3617/14

STALINIST NEWSPAPER: PEKKALA CONFIRMS FEARS

Helsinki TIEDONANTAJA in Finnish 22 Sep 83 p 2

[Editorial: "A Dangerous Position"]

[Text] The paralysis of the foreign policy position in the media has not only resulted in public opinion being led astray, but also in anti-Soviet measures, as has been demonstrated by the boycott of flights to Moscow, which is unprecedented in the postwar era of foreign policy.

Minister Ahti Pekkala's concern was thus more than justified. The shower of accusations, to which he was immediately subjected, reveals how sensitive his position was.

Earlier this fall we have already seen that the attempt of rightwing circles to test the flexibility of our foreign policy has been raised to a new level. For example, the fact that the chairman of the SKP [Finnish Communist Party] and the party itself have become the subject of foreign policy accusations in a manner reminiscent of the 1930's attests to this.

The rightwing representatives of foreign policy adventurism have accused the SKP of deviating from Finland's official line. The issue is exactly the opposite: the Communists support that line which is called the Paasikivi-Kekkonen line and which is based on the YYA [Friendship, Cooperation, and Mutual Aid] Pact in accordance with the national interests of our country.

To act on behalf of peace against the deployment of new U.S. medium-range missiles as well as to condemn the Cold War campaign of the United States under the guise of the airplane incident and the actions to prevent the Soviet foreign minister from being present at the UN is in accordance with this line. It is just as self-evident that all those who consider the pilots' boycott to be detrimental support Finland's interests and our country's official foreign policy not to mention flight safety.

The labelling of Communists, Pekkala, among others, as unpatriotic defilers of our country is a sleight-of-hand trick, by which an attempt is being made to disparage the supporters of the Paasikivi-Kekkonen line. It is just as artificial to juxtapose them and the incumbent president. As is known, the Communists support the president in all actions which strengthen the implementation of the Paasikivi-Kekkonen line.

If past events are recalled a little, this antagonism occurred when President Koivisto at the opening session of parliament unambiguously condemned those who in fact acted against our foreign policy while clothed in the cloak of a free foreign policy debate. At that time it was the rightwing which accused the president of acting like Kekkonen.

If in this nation there develops a situation in which the extreme rightwing and the rightwing shoot poison darts toward the East behind the president's back while at the same the strongest supporters of our traditional foreign policy line are labelled as opponents of the president, it does not bode well. Therefore, it would not do any harm if the president himself were to say a few words on the timely problems of Finland's foreign policy as well as on what our policy line means in practice with respect to the flight boycott or Euro-missiles, for example.

10576

CSO: 3617/14

PRD LOOKS TO CAPTURE SPANISH CENTER VOTE

Madrid EL PAIS in Spanish 14 Oct 83 p 14

[Text] Catalanian nationalist leader Miquel Roca and president of the Liberal Democratic Party (PDL) Antonio Garrigues presented yesterday in Madrid the founding commission of the Reformist Democratic Party (PRD). According to its creators, this new political entity seeks to occupy the center of the Spanish electorate, between PSOE and Popular Alliance, and to take "the five million votes--the PSOE received ten million in the last elections--which are potentially there, awaiting a uniting, not a divisive, party," in the words of Miquel Roca.

The political horizons of the operation were not explained with sufficient clarity yesterday by the two leaders, perhaps because, as Rico put it, "it is still very early." But in principle, a future electoral coalition with Manuel Fraga's conservatives is not ruled out.

Miquel Roca, representative of the Catalanian Democratic Convergence and a deputy from that party, said he was not a PRD [Democratic Reform Party] militant, as he was not going to practice a double militancy. He stated that "I am formally committed to the success of the reformist program and I will participate in all meetings and actions necessary to assist the PRD."

According to Roca, the PRD hopes to occupy the political center throughout Spain, with the exception of Catalonia, "because Convergence already occupies this position. It is supported by militants of PDL [Liberal Democratic Party] of Garrigues as well as some independent political parties or organizations in several Spanish provinces. The PRD will be a federally structured party and will choose leadership and bylaws in a convention which will be held next spring.

The coincidence between the date chosen for the PRD's convention and the Catalanian and Basque Country's autonomy elections was minimized by Roca: He said "it is just coincidence." He added that "I am firmly convinced

that Convergence will win the next elections in Catalonia by an absolute majority, since we do not need any outside help whatever."

There remained also the importance of the continued meetings of Fraga and Garrigues. The Catalan politician stated that "these conversations which Garrigues and I myself have had to do go beyond the usual contacts among politicians. Just a short while ago I was talking with the secretary general of PCE [Spanish Communist Party], Gerardo Iglesias, and from that it cannot be deduced that we are formulating the coalition for the next elections."

The PRD's federal steering committee, chosen yesterday, is composed of Antonio Garrigues as president; Florentino Perez, an old member of UCD [Christian Democratic Union] and former president of IRYDA [Institute for Agrarian Reform and Development], as secretary general; 15 members with sectorial responsibilities, and 10 in charge of territories. Among these latter figures the mayor of Santa Cruz de Tenerife, the independent Manuel Hermoso, and Jeronimo Alberti, president of the autonomous community with UCD.

Among the 15 people with sectorial responsibilities is Pedro Lopez Gimenez, who was UCD's secretary general for organization. Lopez Gimenez stated that he does not dismiss out of hand a coalition with Fraga's party "or with other non-Fraga conservatives." Some political observers see in this reform position the intent to look for a leader--Miquel Roca--who could substitute for Fraga in the not too distant future.

9678

CSO: 3548/40

BENGT WESTERBERG ASCENDS LIBERAL PARTY CHAIRMANSHIP

Center Party Leader Concerned

Stockholm DAGENS NYHETER in Swedish 29 Sep 83 p 6

[Text] "I have an intuitive feeling that the choice of Bengt Westerberg as Liberal Party leader will not strengthen the middle of the Swedish political spectrum. The liberal aspect, which is so close to us 'decentralizers' in the middle, has been weakened within the Liberal Party. The neo-liberal trends have moved the Liberal Party closer to the Conservatives."

"But it would be unfair to judge Bengt Westerberg solely on his performance as undersecretary."

This was stated by Nils G. Asling (Center Party) at a press conference on Wednesday when he stated some of the ideas contained in his controversial new book Power Struggle or Mutual Understanding.

One of Asling's theses in the book is that the confrontations within Swedish politics during the past 10 years have been primarily between "centralizers" and "decentralizers," both between and within the parties.

"These conflicts are especially clear within the Social Democratic Party. They are conducting an interesting debate over decentralization, for example in the theoretical journal TIDEN. But the Palme government is conducting the same policy of centralization that prevailed during the 1960's," Asling said at the press conference.

Asling maintains in his book that a coalition government involving the Social Democrats and the Conservatives could be a possibility after the next election.

He believes there is fundamental agreement between the Conservatives and the Social Democrats on the centralization issue and on their faith in growth.

Paper Discusses Liberals' 'Crisis'

Stockholm SVENSKA DAGBLADET in Swedish 2 Oct 83 p 2

[Editorial]

[Text] Where is the Liberal Party going?

For a number of years the answer to this almost classical question has been: "backward." Of course, it is too early now to say whether or not this trend will be reversed now that Bengt Westerberg has succeeded Ola Ullsten as head of the nomadic Liberal Party tribe.

While we are on the subject of the whims of public opinion, we know that each change in party leadership tends to be surrounded by an aura of curiosity and uncertainty. As a result, the party that has changed leadership experiences at least a temporary increase in interest and sympathy before the illusions are shattered by merciless reality.

But where is the Liberal Party going politically?

This, too, remains to be seen. It would be wrong to claim that Bengt Westerberg was taking over a bankrupt political estate. But, as party board member Pehr G. Gyllenhammar said at the party's extraordinary congress on 15 January and at yesterday's meeting to elect the new chairman, the problem has not been solved. "The crisis has only begun," he said.

It should be said, however, that Westerberg has been particularly instrumental in clarifying the direction the party will take in various areas. He does not hesitate to speak the bitter truth. Clear language is good for the soul.

But with all deference to crisis reports and commemorative speeches, political profiles and confidence in parties and party leaders are created by the day-to-day, often frantic, political work. The newly elected Liberal Party leader must demonstrate how his party views invitations to compromise on great and small issues and what emphasis he places on ideology, economics, and other fundamental issues.

Is there any room for the Liberal Party in Swedish politics?

It is obvious that there is room for liberalism, even for more liberalism. All international experience shows that in the collective society the Social Democrats and the Communists are working for, people's desire for and belief in individual initiative and responsibility increases. The desire to own and live more freely, with fewer regulations, increases.

Such ambitions find a natural spokesman in Bengt Westerberg. Thus, regardless of what the opinion polls say about the Liberal Party and the other nonsocialist parties, there should be good reason for constructive cooperation among

these parties before and after the 1985 elections. Creating a credible government alternative to continued Social Democratic rule with VPK support is a primary political goal that must not be overshadowed by minor differences of opinion which actually are a meaningful part of the political scene.

Now the day-to-day political work will begin for Westerberg. Without the right to vote--in parliament--the Liberal Party leader will face serious problems in getting out the Liberal Party message to the voters and in restoring confidence in the party he has been elected to lead.

Represents Change in Generations

Stockholm DAGENS NYHETER in Swedish 1 Oct 83 p 6

[Commentary by Sven Svensson]

[Text] Today Bengt Westerberg will become the new Liberal Party leader. With the exit of Ola Ullsten, the last of what once was called the "golden generation" will have disappeared from the Liberal Party leadership. Bengt Westerberg apparently longs to return to a position in the government, but it may be best for the Liberal Party if Palme wins the 1985 election.

The Liberal Party does its best under the protection of a strong Social Democratic Party. Olof Palme often says that, but it is true nonetheless. The Liberal Party is a natural opposition party which should corrupt itself by participating in the government only in extraordinary cases to achieve clearly defined political goals.

The 1976 change in government was almost exclusively an achievement of the Liberal Party. Without Bertil Ohlin's long struggle for a one-chamber parliament, the Social Democrats probably would have remained in power.

In A Hurry

First Ohlin had to break down the nonsocialist opposition to the one-chamber parliament. The Conservatives gave in unexpectedly in November 1963 and the Center Party was forced to follow suit in 1964. The Conservative leader Gunnar Heckscher wanted closer ties with the then-large Liberal Party. Center Party leader Gunnar Hedlund manipulated his parliamentary group and never let it vote. This resulted in a single large chamber, so that no member of the Upper Chamber would lose his seat in parliament.

The power struggle between the united nonsocialist parties and the Social Democrats was resolved in the local elections of 1966. They resulted in a crushing defeat for Tage Erlander, who planned to retire after 20 years as prime minister.

Suddenly they were in a hurry to settle the one-chamber parliament question, for if the Social Democrats could be accused of manipulating public opinion,

the 1968 parliamentary elections also could be disastrous.

Many young and literate people had flocked to the Liberal Party during the sixties, dreaming of someday holding the reins of power. The long period in opposition had been frustrating. Former Liberal Party Gunnar Helen had called these young people the "golden generation" of the Liberal Party. Others had given them the more contemptuous name of "straw hats."

The one-chamber parliament provides an extremely equitable distribution of seats to all parties that receive at least 4 percent of the vote. For the one-chamber parliament to work, there must be cooperation across political blocs.

The Liberal Party attempted to meet this requirement, but almost died in the process. First there were the Haga agreements with the Social Democratic government, then the coalition government with the other two nonsocialist parties, and finally the tax compromise between the middle and the Social Democratic opposition.

New Roles

The change in power within Swedish politics was a victory for democracy. It gave the nonsocialist parties insight into the conditions of governmental work and the Social Democrats tasted the frustration of being in opposition. But even though governments may change, politics remain about the same. No matter how lavish the campaign promises, they cannot alter the harsh economic reality.

After their 6-year stint in the government, members of the Liberal Party's golden generation now have become top-level executives, provincial governors, and ambassadors. As the last holdout, Ola Ullsten now is saying thank you and farewell and is retiring to an obscure seat in parliament.

Now the new party leader Bengt Westerberg must begin from "scratch," as we now say in Swedish. Improving the Liberal Party's election results will be no easy task, after a series of election defeats dating back to Ohlin's time. The identity crisis is deep and the party's policy of cooperation has been compromised, especially by the party's own so-called emergency commission.

Longing

Can the Liberal Party's historic mission in the government be considered complete after 6 years?

There are many indications that the new party leader suffers from an almost insatiable longing to return to governmental power.

To be sure, 2 years remain before the next elections and anything can happen during this time. Nevertheless, it appears that the Liberal Party will be small even after the 1985 elections. Every tenth of a percentage point over 6 per cent must be seen as a major victory.

With such results, Westerberg would be unable to exercise significant influence over the formation of the government or over the government's work. The Conservatives would be even more dominant in such a government than they were during the Falldin era. All the coalition parties would look alike to the voters, so that Liberal Party voters might just as well vote for Adelson directly, without taking the detour through Westerberg.

The Liberal Party's best chance for long-term gains among the voters is to remain outside any government dominated by the Conservatives. In opposition, they would be able to push policies that eventually could improve their present tarnished image. It also would be possible for them to benefit from dissatisfaction with a Conservative government that was attempting to fulfil campaign promises that ignored the harsh political realities.

Perhaps the safest path for the Liberal Party would be to resist the temptation of entering a coalition. If Palme retains power after the next election the danger will be eliminated.

A Social Democratic victory would give the Liberal Party time to recover and consolidate its forces. This also would make it possible for the Liberal Party to become an alternative for dissatisfied Social Democratic voters.

In opposition under a Social Democratic government forced to take thankless austerity measures and form ad hoc majorities in parliament, the Liberal Party would have a better chance of taking independent action. It would have a greater chance of achieving political influence than it would in a vague three-party coalition government under the leadership of Adelson.

The obvious role of the Liberal Party in Swedish politics is to strengthen the position of the private individual at the expense of the large collectives in industry and commerce, within various organizations, and in the public sector, even though the Liberals achieved little of this when they were in the coalition government.

Increased pressure on these collectives becomes even more necessary as they receive more and more state support and make decisions of major importance to the individual citizen.

Legal Protection

State and local authorities are demanding more and more information on the private lives of individuals, but often refuse to divulge information they are required to give out.

A concentration of power is taking place in private business. Anonymous organizations are taking over companies. Their main purpose is not to increase production, but to sell off unprofitable sections.

Power Struggle

The situation is not much better at the top political level, since the power struggle for an increased percentage of the vote has become the bane of the one-chamber parliament.

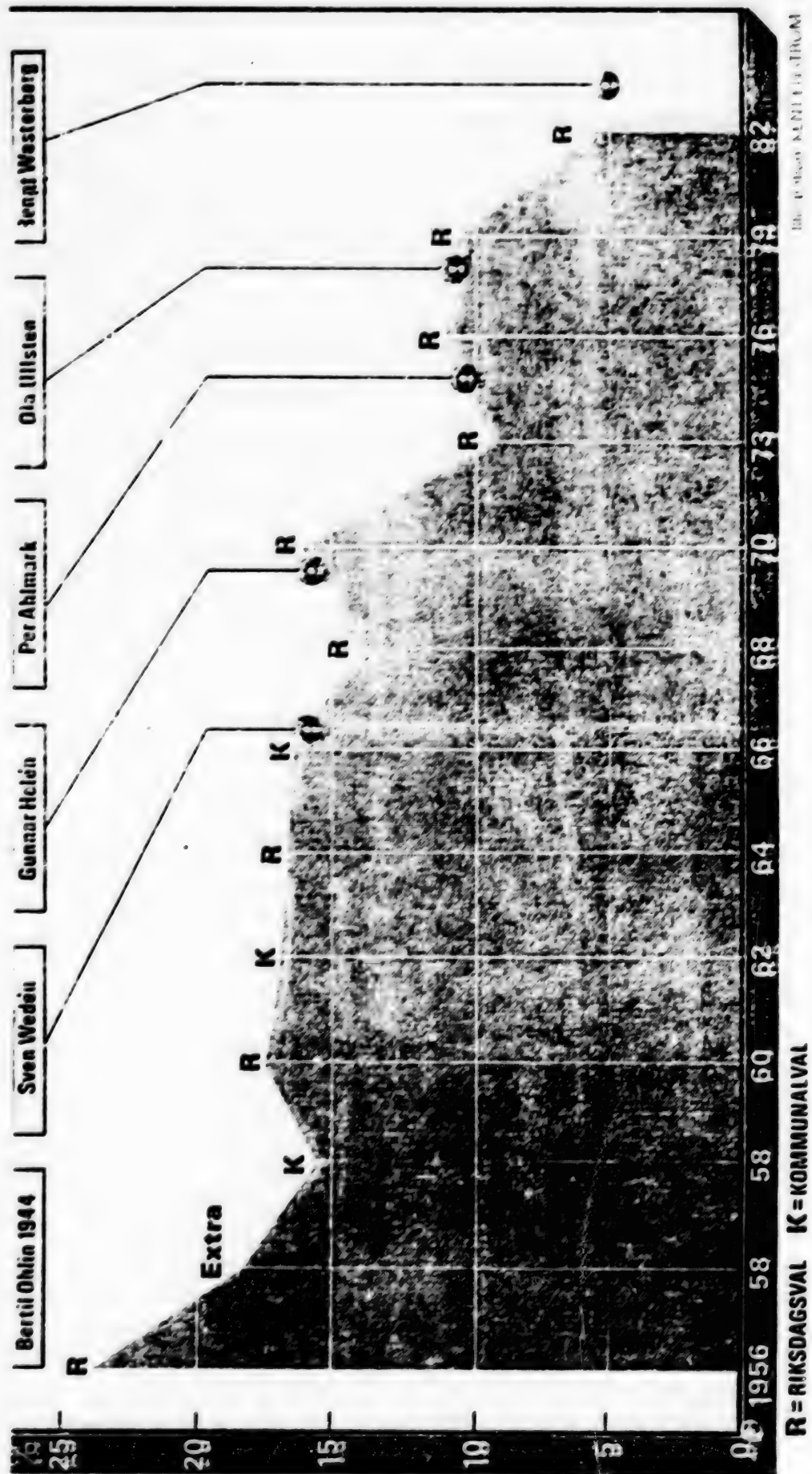
The Social Democrats tore up the resolution on qualifying days for health insurance benefits. The nonsocialists have promised, in return, to tear up the resolution establishing wage-earner funds if they win the 1985 elections.

The 3-year tax agreement, the greatest merit of which was that it would remain intact even following a change in government, is lying in ruins.

If the power struggle between the political blocs continues, some type of minority protection eventually will be necessary. Minority protection could either force the achievement of viable compromises or increase participation by the voters in the political decision-making process.

Minority protection could consist of letting a minority in parliament postpone controversial decisions until after the next election or holding a referendum on a controversial issue in conjunction with the elections.

Such a change in the constitution would be urgently needed, especially if terms in parliament are increased from 3 to 4 years.



The once-large Liberal Party began its decline in connection with the ATP (General Supplementary Pension System) battle in the late fifties. After Bertil Ohlin retired, the downward trend intensified. Bengt Westerberg's primary task will be to break the 4-percent barrier to achieve representation in parliament.

Key:

R Parliamentary elections

K Local elections

9336

CSO: 3650/10

BRIEFS

POLL ON SUPPORT FOR LEADERS--Those who have "great confidence" in Olof Palme and Lars Werner are increasing, while corresponding support for Thorbjorn Falldin and Ulf Adelsohn is diminishing. This is shown in SIFO's [Swedish Institute for Public Opinion Polls] latest poll, which gives Volvo chief Pehr Gyllenhammer specially strong support among a selection of voters from 18 to 70. Over half of them assert their strong support for him. In spite of all the publicity he has received, the new Liberal Party chairman, Bengt Westerberg, is much too new on the scene for his support to be evaluated. Fifty-five percent of those polled refused to rate their trust in him, while nine percent already show complete trust in Westerberg. Since the January poll, Thorbjorn Falldin has gone down two percentage points to 11, Adelsohn has lost one percent to 30, while Palme and Left-Party Communist leader Werner have increased their strong confidence among the voters by a further four percent to 29 and 16 percent respectively. -[Text] [Stockholm SVENSKA DAGBLADET in Swedish 27 Sep 83 p 6] 9124

CSO: 3650/14

SOVIETS MAY BE DEVELOPING MINISUBS AS SPECIAL NORDIC WEAPON

Stockholm DAGENS NYHETER in Swedish 25 Sep 83 p 48

[Article by Sven Svennsson: "Sweden Must Soon Step Up the Chase"]

[Text] Last week the defense forces chased suspected subs at five different locations around Sweden's coasts, and a number of depth charges have been dropped. The other day the Supreme Commander reported that 20-40 sub intrusions took place last summer alone. In an atmosphere of increasing distrust of the Soviet Union, the question now arises: When will Sweden be forced to take even tougher measures -- for example, target-seeking torpedos -- to assert its neutrality? This is the subject of the Sunday Insight. New submarine intrusions are leading to a far-reaching crisis in Soviet-Swedish relations, which may even affect the security policy situation. This opinion is growing stronger and stronger. People think that confidence in Swedish neutrality means that sooner or later Sweden will be forced to use force to sink a submarine and defend its own territory. To sink a submarine knowingly signifies a political situation at the brink of war.

Such an escalation cannot come suddenly, however. It must be preceded by clear signals abroad that the intrusions must now stop.

The clarification can be made by the country's political leaders manifesting their decision in an appropriately sharp way. Another possibility is that the so-called IKPN decree be changed so that the Supreme Commander has the right to disarm foreign subs within certain recognizable military areas. The present rules say that the sub will be damaged and forced up to the surface.

In the shadow of the submarine intrusions, the domestic political polarization is increasing in Sweden on security policy and the so-called Nordic balance. The intrusions have in many ways reawakened the hatred of the Russians that has existed in Sweden from time immemorial. The many changes in government in the North have increased the party-political conflicts concerning security policy.

Selling Sweden Out

Within Sweden's borders, the hatred of the Russians also goes against Olof Palme personally. In many circles, Palme is the incarnation of a political leader who in various ways wants to sell Sweden out to the Soviet Union. This in spite of the fact that Palme, after the sub intrusions in Gasefjarden and Harsfjarden, cooperated in the drafting of the strongest protests that have ever been made to the Soviet Union.

The reason why it is precisely Palme who is hit by the hatred of the Russians is old. In 1968, Palme marched together with the North Vietnamese ambassador to Moscow in the streets of Stockholm, and in accordance with the recently revived IB affair, SAPO [Security Police] regarded Palme as a security risk because of his contacts with leftist FNL groups. During six years in opposition, Palme maintained a comprehensive international contact net with, among others, disarmament circles that were not specially influenced by NATO. These contacts created bad blood in many places, made for personal ties, and increased the risks of political conflict at home. Once again in power, Palme's international engagement led to the so-called Bahr and Bildt affairs. According to the Bahr affair, the West German Social Democrat Egon Bahr was able to discuss the formation of the Swedish proposal for a nuclear weapon free corridor in Central Europe.

Bildt Rebuked

The Bildt affair implies that Palme rebuked Bildt in the Foreign Affairs Committee for going directly from the discussions in the government's submarine commission to the U.S., and, among other things, meeting with members of the military security service, CIA. All party leaders condemned this.

As early as the election campaign, the Moderate Coalition Party tried in various ways to exploit the latent hatred of the Russians in Sweden for its own party's profit. Ulf Andelsohn said that Russian soldiers were eating breakfast on Swedish rocks and skerries.

Swedish security policy consists of cooperation between foreign policy, defense policy, disarmament policy, economic policy, and assistance policy.

The Moderates have increasingly stressed the necessity for military deterrence and the "liberation" of eastern Europe. Their arguments have generally been based on NATO positions.

The Moderates were legitimized by the nonsocialist government as a party capable of governing, but the foreign policy discrimination remained.

In the opposition, the Moderates have gone on the offensive in foreign and security policy to conquer the final stronghold. The goal of the Moderates is to become fully credible in foreign policy and occupy the foreign minister's post in a nonsocialist government. Carl Bildt is the foremost candidate.

Five Governments

In the past seven years, Sweden has had five governments, three prime ministers, and four foreign ministers. The repeated submarine intrusions have shown with great clarity that the first task of the government in power is to attend to security policy, even if this was not stated in its platform.

The governmental shifts have clearly shown that even large parties act opportunistically in a position of opposition.

The clearest example of a shift is the Social Democrats' position on the military aircraft JAS. In opposition there was no limit to how bad the non-socialist government's proposal was. Back in office again, Palme swallowed the JAS proposal with obvious justification.

The final word is that security policy is so important that continuity must be assured beyond party limits. Otherwise the risks are great that faith in the Swedish neutrality policy will be shaken among the many governments.

Neither should the parties take positions that are incompatible with governmental responsibility. The supreme commander's latest submarine report of 20-40 intrusions last summer shows this in a flash of light.

Nothing Ventured

After the Foreign Office meeting just a week ago, Carl Bildt said that the intruding submarines must be Soviet. They were mainly minisubs, and certain details agreed with the observations from Harsfjaden.

In practice, Bildt accuses the government of cowardice, or accommodation of the Soviet Union. The government knew that the submarines were Soviet, but did not dare protest. And in Bildt's opinion, not only do Falldin and Ullsten have more experience on submarine affairs, but also Supreme Commander Lennart Ljung.

When Palme attacked Bildt last spring for his CIA contacts, Defense Minister Anders Thunborg belonged to the doubtful ones. He thought that Palme went too far.

Now Thunborg thinks that Bildt has gone too far. A new protest to the Soviets on the basis of half proofs would weaken the previous sharp protests.

Thunborg will soon establish a new defense line. It will be more important for security policy than anything has been in a long time. We will see whether Bildt will come up with anything after that.

Nordic Balance

The development of Swedish security policy is of great significance for the stability in the North, for Finland's independence, and for the decision of

the NATO countries, Norway and Denmark, not to store nuclear weapons on their territory in peacetime.

The different security policy solutions in the Nordic countries can be called the Nordic balance.

The expression goes back to the crisis between Finland and the Soviet Union in 1961.

Khrushchev demanded then in a note to Finland military discussions according to the friendship pact on the basis of an alleged threat of attack by the so-called West German avengers.

In a meeting in Novosibirsk between Kekkonen and Khrushchev, Khrushchev retracted the demand for military discussions, and the world could breathe again. In return, Finland agreed to closely follow developments in "Northern Europe and the Baltic Sea area," and at the same time when necessary to suggest actions to reduce the risk of war.

The submarine events in recent years therefore confirm that the Baltic Sea area has always been the center of Soviet strategic interest.

Continued submarine intrusions are therefore not only a serious and unacceptable challenge to Swedish security policy, but also to the Nordic balance.

The appearance of minisubs create much unrest in the Baltic Sea, but probably also in the Gulf of Bothnia. The minisubs have operated in the vicinity of important Swedish military bases, and this must also be taken as an increased military and political concern for the North.

The Liberal Party's security policy group has difficulty seeing that the minisubs can be used in other areas than in the Baltic Sea, possibly in northern Norway.

This means in this case that the Soviet Union constructed a technically advanced weapons system for use exclusively in the North. The submarine intrusions give the impression that the Soviet Union is seriously considering operations in the North in case of a large European war. The submarine commission's thought that the minisubs were only to put diversionary forces ashore seems too modest for the construction of a completely new weapons system.

The military technical development, the balance of power in central Europe, and the dangers of a nuclear war have led to increased military and political interest in the North.

In central Europe two approximately equal forces oppose one another, and this can lead to a military deadlock. The development of weapons of increasing

range and increasing precision make possible the spread of war on the European continent to more outlying areas such as the North.

For the Soviet Union, access to the Nordic area would clearly increase its strategic freedom of operations. The possibilities of supporting a war in central Europe would be increased, and airfields in Sweden and Norway would give possibilities for cutting off or going around NATO units in the Atlantic.

9124

CSO: 3650/14

CANADA, NORWAY AGREE TO INCREASE COOPERATION IN NORTH

Oslo AFTENPOSTEN in Norwegian 13 Oct 83 p 15

[Article by Olav Trygge Storvik]

[Text] Closer cooperation will be introduced between Canada and Norway on northern regions. Both governments have agreed that annual bilateral orientation meetings will be held in which security policy issues in the northern regions will play a central role.

That is one of the results of Foreign Minister Sverre Strøm's recent visit to Canada. As early as next spring, a Canadian group of experts will come to Oslo as the first step in the development of such cooperation. Norway has already set up bilateral orientation meetings on northern security policy issues with the United States and Great Britain.

In October meetings will be held in Oslo with the Americans, partly in order to orient the new leaders of the American State Department on the details of the northern regions. A central topic for discussion with the Canadians will probably be planning for the Canadian reinforcement force, the so-called CAST Brigade which is earmarked for assignment to Norway. (CAST stands for Canadian Air/Sea Transportable Brigade.) The security policy idea behind the brigade is that it will serve as an element in the strategy of deterrence since an aggressor would also have to count on confronting allied NATO forces in Norway, among them the Canadian brigade. That is not the way things are now, since it is unlikely that this Canadian force could get to Norway at all in the event of a crisis. All the experts now agree that the transportation time from Canada is much too long unless the brigade's heavier equipment is stockpiled in Norway during peacetime.

As a step in making the Canadian reinforcement force's effort in Norway more credible, Norwegian and Canadian authorities have agreed in principle to stockpile equipment and ammunition for at least one of the battalions in the brigade in advance. But although military people on both sides have worked out detailed plans for this, the plans have come to a standstill. This is due partly to a lengthy decision-making procedure within NATO organs. Both Canada and Norway have sent proposals to NATO's central organization concerning funding of the advance storage for the forces

through NATO's infrastructure program. But no decision has yet been made. The earliest this could happen would be in the spring during a conference on infrastructure plans at which an effort will be made to coordinate the interests of all the countries. At this point it is still unclear how high a priority the Norwegian/Canadian plans will have at this conference.

But the plans to make the reinforcements' effort in Norway more credible probably also ran into political problems as well as lack of interest on the part of central Canadian authorities. In general, the defense sector was not what was dearest to the heart of former Prime Minister Pierre Trudeau. And in these times of economic hardship which Canada is also experiencing it appears that the Canadian defense leadership felt it was more urgent to give a higher priority to other tasks instead of building up stockpiles of equipment in Norway. Behind the Canadian caution when it comes to committing itself to a more credible effort in North Norway probably also lies the trauma created in the nation on several occasions during World War II: the operations in Dieppe in August 1942, when half a Canadian landing force of 5,000 men lost their lives, as well as experiences from a similar catastrophe in Hong Kong in December 1941. These events have by no means been forgotten in Canada and form the background for assessing the CAST Brigade's assignment as far as every Canadian politician is concerned.

6578

CSO: 3639/9

DENMARK REPORTEDLY WANTS CANADIAN BRIGADE EARMARKED FOR NORWAY

Oslo AFTENPOSTEN in Norwegian 29 Sep 83 p 4

[Article by Olav Trygge Storvik]

[Text] On a Danish initiative, central NATO people are now evaluating whether to change the assignment of the Canadian reinforcement brigade assigned to North Norway, making its primary task the defense of Denmark.

Brigadier General Roland Oppermann, deputy chief of the planning division of the German Defense Ministry, revealed this during a briefing of a group of journalists in Bonn.

Oppermann was referring to the so-called CAST [Canadian Air/Sea Transportable] Brigade, a Canadian reinforcement brigade stationed in Canada during peacetime but intended for transport to Europe in the event of a crisis, using a combination of air and sea transport. So far the brigade's highest priority area has been Troms and from time to time parts of the brigade have been in Norway on maneuvers. Some equipment has been stored in Norway. It has long been Norway's desire that Canada expand the stockpile of the brigade's heavy equipment in Norway so that the force's chances of making an effort in Norway are made more credible, thus providing more security policy flexibility as a result of reducing the time needed to transfer the force. In recent years critical questions have been raised as to whether this brigade can be seriously considered as a credible reinforcement force for North Norway because under the plans it would take as long as 30 days to transfer the brigade from Canada to North Norway with all its equipment.

If it proves unnecessary to use the Canadian force to defend North Norway, its second priority has been to reinforce Denmark. Both areas lie within the area of responsibility of the head of NATO's forces in northern Europe, with headquarters in Kolsas. According to General Oppermann, no decision has yet been made, but personally he did not believe any changes would be made. Geostrategic reasons support setting the forces in in North Norway, first and foremost.

High-ranking Norwegian military people are unfamiliar with the Danish initiative, AFTENPOSTEN has learned. In Huseby they also discount the idea that such an initiative would receive NATO support.

The Danish initiative should probably be seen against the background of the worrisome development in Danish defense which has been sharply criticized in several NATO countries by both politicians and military personnel. In 1980 the man then in charge of defense in Norway, General Sverre Hamre, warned against the tendency of Danish defense budgets and pointed out that if the trend continued it would have consequences on the defense of southern Norway. The Germans have expressed grave concern for the defense of southern Jutland and Schleswig-Holstein which would be under a joint Danish-German command in the event of a crisis. Already today West Germany bears the major burden of the ground defense of the German-Danish plains region and it has been pointed out that defense plans have been weakened as a result of developments in Danish defense.

6578

CSO: 3639/9

NAVAL STAFF COMMANDER ON SIGNIFICANCE OF BALTIC TO EAST, WEST

Tampere AAMULEHTI in Finnish 23 Sep 83 p 12

[Article by Sakari Visa: "Baltic Sea Is of Central Importance"]

[Text] Commander Sakari Visa of the Finnish Navy Staff discussed the military and political significance of the Baltic Sea on Wednesday at Tampere's Paasikivi Society.

The Baltic Sea is the most important direction of Finland's security policy.

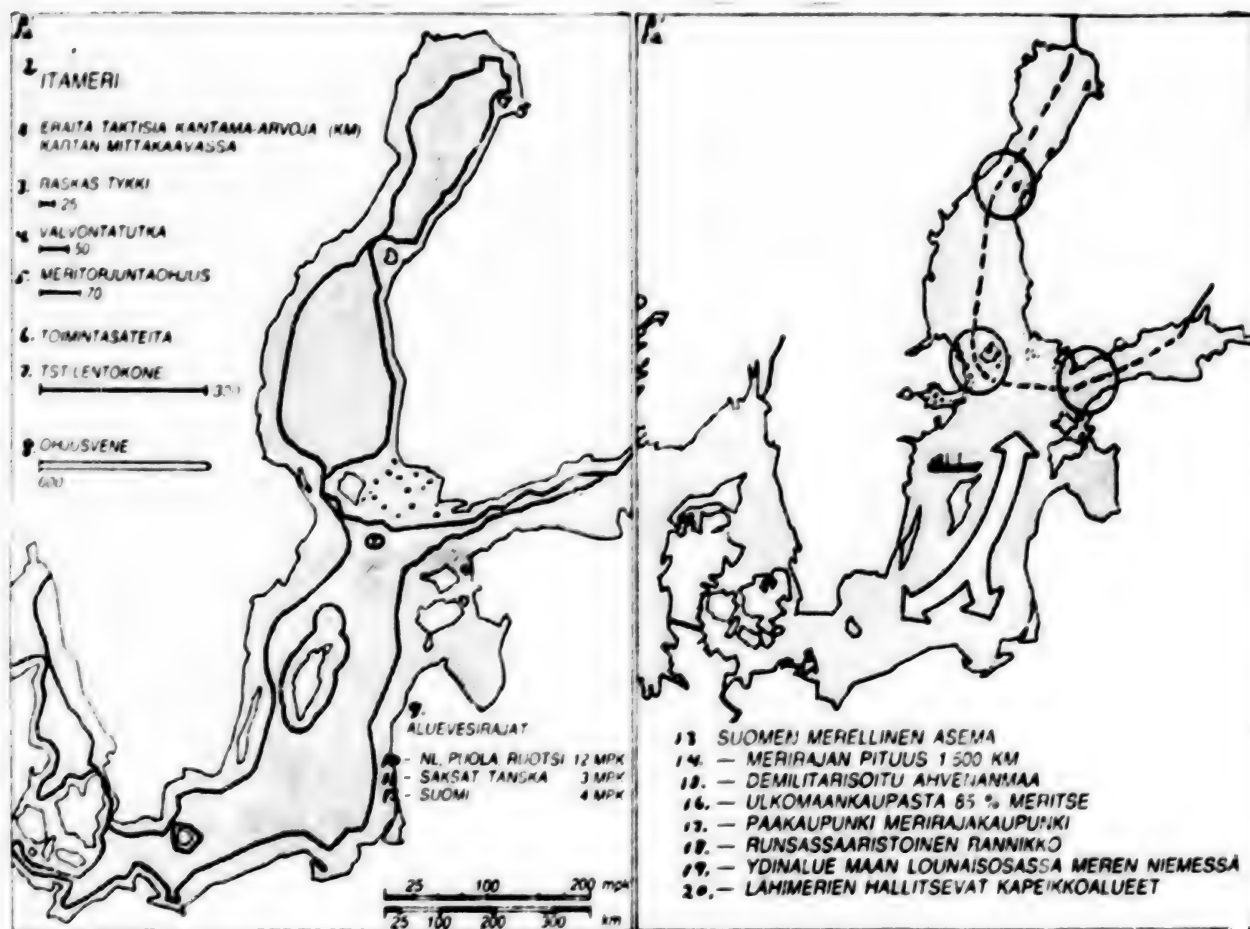
Sweden's neutrality and credible armed forces are of great importance in maintaining stability in the Baltic Sea situation.

For the Soviet Union the Baltic Sea is an important transportation link, which is also of vital military significance. For NATO the Baltic Sea represents a naval flank.

The Baltic Sea links the strategic Murmansk area of Northern Europe to the northernmost sections of Central Europe. The Baltic Sea is an inland sea, which on the north-south meridian is situated between Northern and Central Europe and on the east-west parallel between the Warsaw Pact and NATO.

The surface area of the Baltic Sea is 384,700 square kilometers (slightly greater than Finland), its length is 11,750 kilometers and its width is 300 kilometers. The Baltic Sea's average depth is 65 meters and in it are several basins divided by rises in the sea floor. The most significant depression is on the east side of Gotland. The deepest point in the sea is 459 meters. In addition to the shallowness of the sea, large fluctuations in the temperature of the water, the partial freezing of the sea in the winter months as well as the opportunities to extend the effects of airborne weapons to the whole area are particularly important factors from the point of view of naval and military policy.

Sweden, Finland, and Denmark are during economically normal times decisively dependent on the sea links of the Baltic Sea and the Danish Straits connected to it. More than 80 percent of the vital foreign trade of these countries is conducted by sea. Of these countries Finland is the most dependent on the Baltic Sea as a transportation route.



Key:

- | | |
|---|---|
| 1. Baltic Sea | 13. Finland's Maritime Position |
| 2. Some tactical range values:
(km) on map scale | 14. Length of sea border 1,500 km |
| 3. Heavy artillery | 15. Demilitarized Åland Archipelago |
| 4. Surveillance radar | 16. 85 percent of foreign trade
by sea |
| 5. Naval defense missile | 17. Capital city is port city |
| 6. Operational radius: | 18. Abundance of islands on coast |
| 7. Combat aircraft | 19. Area of primary importance in
southwest section of country |
| 8. Missile ships | 20. Adjacent seas controlled by
areas with narrow channels |
| 9. Territorial limits: | |
| 10. USSR, Poland, Sweden, 12
nautical miles | |
| 11. Germany, Denmark, 3 nautical miles | |
| 12. Finland, 4 nautical miles | |

During normal times the sea links of the Baltic Sea do not have the same relative significance in an economic sense to the Soviet Union, Poland, and the German Democratic Republic. Approximately 10 percent of the USSR's trade passes through the Baltic Sea.

Distances Are Short

The Baltic Sea represents approximately one-seventh of the world's shipbuilding capacity. It is estimated that the Soviet Union's shipyard capacity is approximately one-half of the capacity located in the region of the Baltic Sea. This capacity is vital also to the Soviet Navy.

The natural resources of the Baltic Sea are not vital to its coastal states. The search for oil has not yet produced any significant results.

Distances on the Baltic Sea are short from the point of view of modern surveillance and weapons systems. The major portion of the sea's surface and its air space can be controlled by systems located on land. The operational conditions for air forces from land-based facilities are rather good throughout the whole area surrounding the Baltic Sea. The extensive operations of vessels of a surface fleet provide the conditions for any effective anti-missile capability and air superiority and mastery, in general.

The short distance of the narrow channels, in particular, create opportunities for rapid and at the same time surprise marine landing operations. These operations are limited, in general, only by the density of islands and the fact that extensive areas of the sea are frozen over in the winter months.

Anti-Submarine Defense Difficult

The shallow waters of the Baltic Sea are conducive to the use of mines and also make it difficult for submarines as well as search and preventive measures. The area of operations most conducive to submarines from the point of view of depth conditions is the East and Central Baltic Sea with depths of more than 100 meters. Even though the Baltic Sea is sometimes considered to be part of Northern European naval strategy because of its nature as a sea, it is just as justifiable to connect possible military cause-relationships in the direction of Central Europe. From Finland's and Sweden's point of view direct importance can be given to the fact that the geographically strategic areas of the Arctic cap and the Baltic Sea are situated in the northern and southern portions of these countries.

From a military point of view for the Soviet Union the Baltic Sea represents a transportation route between Leningrad, the Baltic republics and the member countries of Poland and East Germany through the Gulf of Finland. This transportation route is significant even during normal times and its importance increases during a possible crisis because of the paucity of land connections in the southern parts of this area as well as their vulnerability. The shipyards and industry located in the region of the Baltic Sea are exceptionally important to the Warsaw Pact. In the event of necessity, the Soviet Union can use its power resources in the Baltic Sea for protecting its interests.

Militarily Significant

Traditionally, the Baltic Sea has represented for Russia and now the Soviet Union an area, which is situated in the vicinity of the country's areas of

primary importance and acquires a perceptible military significance. For the purpose of protecting the above-mentioned security needs, the Soviet Union has a considerable surface and submarine fleet in the Baltic Sea. An air force adequate to protect these activities has been grouped in the area. According to the annual report, Military Balance, published in London, the Soviet Union has in the area approximately 45 conventional submarines, 2--3 cruisers, 12 destroyers, 46 frigates, 172 smaller warships, more than 250 minesweepers, and 20--40 amphibious vessels. In addition, several submarines equipped with ballistic or cruise missiles are located in the area. The emphasis of the activities of the Soviet Baltic Fleet has been observed to be clearly in the area of the Southern Baltic with its primary forces distributed between the Baltiyskiy and Liepaya military bases.

Even though a portion of the Soviet Baltic Fleet is suitable for deployment elsewhere in the world from the point of view of its equipment, the assessment is that the limited Baltic Sea best suits it as an operational area. Thus also for the reason that a portion of its equipment will become obsolete in the near future.

From Western sources one receives the impression that NATO believes the responsibility of the Soviet Baltic Fleet is also to attempt to reach the North Sea through the Danish Straits in connection with events possibly extending to Central Europe.

The Polish and East German fleets are primarily made up of small battleships, minesweepers, and patrol boats as well as small amphibious craft. Their responsibility can be seen as purely defensive for meeting the obligations of protecting their own territorial waters and communications links.

Examined from the Soviet point of view, the Baltic Sea represents a threat in the direction of the Baltic states not only because of its naval use but also because of its use as a launching area for missiles and air forces. The Soviet Union's extensive air defense system on the shore of the Baltic Sea, among other things, must be understood from this perspective.

Naval Flank for NATO

Examined from NATO's point of view, the Southern and Central Baltic Sea represents a naval flank to land areas vital to the USSR. In connection with this, in addition to its naval defense responsibility, NATO is striving to bring about a situation in which the fleets of the Warsaw Pact are bound to the maritime routes of the Baltic Sea. As its primary responsibility, NATO's fleets on the Baltic Sea are, however, obligated to defend the West German and Danish coasts and to provide surveillance in the Danish Straits and implement their possible closure. Naval forces protected by modern naval-air defense systems and directed for possible deployment on the Baltic Sea can be given even more demanding naval responsibilities as the situation demands.

In the West German and Danish fleets there is a total of more than 50 battleships, 30 submarines, 10 mine-layers, approximately 60 minesweepers as well as patrol and amphibious craft. Special attention should be given to the modern battleships and submarines of the Federal Republic of Germany.

Sweden is of Central Importance

As the proprietor of the western coastal area of the Central and Eastern Baltic Sea, Sweden is in an especially central position from a military point of view. The length of that country's sea border and its territorial waters (a limit of 12 nautical miles) represent a significant portion of the total area of the Baltic Sea.

Sweden's neutrality and its credible armed forces are of considerable significance in maintaining stability in the Baltic Sea area. Sweden's fleet and air force are relatively modern and efficient. In Sweden's fleet special attention is given to its battleships, submarines as well as its considerable mine-laying capability. Even Sweden will have difficulties in the future in quantitatively maintaining amounts corresponding to the current level in the development of expensive weapons systems.

The naval forces situated on the Baltic Sea are primarily designed for the particular conditions of the area. Sweden's and West Germany's fleets, in particular, are of a high technical level. Also the naval-air forces of these countries are efficient. The Baltic Sea as an operational area and its possible military uses have, in general, been taken into consideration in the number and groupings of the armed forces of the Baltic Sea states.

Performance Requirements for Finnish Navy

Finland's security and national economy are decisively connected with our proximity to the Baltic Sea. Guaranteeing the inviolability of approximately 15,000 square kilometers of our territorial waters as well as the territory of our whole country is vitally important to Finland. The Baltic Sea connects Finland to Central Europe and thus military actions in Central Europe are reflected in our country. Operations occur along this international body of water and above it nearly every day all the way to the Finnish coast. The Aland Archipelago continues to be of central importance to the Gulf of Bothnia as a demilitarized area as well as one large island obstacle in the Baltic Sea as examined from Finland's point of view. Finland must guarantee the inviolability of this zone as a portion of Finland's territory as well as on the basis of stipulations in obligatory treaties. The military vacuum in the area presupposes certain performance requirements for the Finnish Navy so that if it becomes necessary we are also able to create and maintain conditions in the Aland Archipelago for an operational defense system to cover this area.

The submarine incidents in the last couple years as well as still unresolved maritime legal questions concerning the Baltic Sea have, in general, been the subject of attention in examining the area of the Baltic Sea. The report compiled by the Swedish Submarine Commission brings up the fact that these events, among other things, represent a preparatory phase in military operational planning, which can include peacetime exercises and tests of new technology; they can also include preparations for the use of diversionary forces as well as the laying of mines and, on the other hand, preparations for minesweeping operations. The same commission confirms that reconnaissance is a partial motive for each violation, but it is doubtful that it is

the only or even chief motive. These actions can be considered as a policy signal of certain requirements for change in Sweden's defense and security policy. These actions can be considered indirectly as a reconnaissance of Sweden's islands for the preparation of penetration areas for missile-carrying submarines and as a sign of weariness or apathy in the Swedish defense forces, which is interpreted as a kind of acceptance of these actions.

Security Policy is Most Important

In developing our own naval defense, consideration has been given to the Baltic Sea's military and political situation, evaluations of possible crisis alternatives, and requirements to be established for the naval defense within our defense system as well as real power resources. The coastal artillery and in the distribution of operations among naval forces in the Gulf of Finland and the sea in the proximity of the Aland Archipelago are the most important principles of development in the future. The use of small battleships with a strike capacity, the development of mines, and the maintenance of underwater surveillance together with coastal forces as well as the prevention of territorial violations occupy a central position in the development of our navy.

The Baltic Sea is the most important direction of Finland's security policy. In spite of the strategic significance of the Arctic cap, Finland's political and economic interests are directed toward the sector lying between the southeast and southwest, including Stockholm and Leningrad. The Baltic Sea lies between these points.

10576

CSO: 3617/14

ARMED FORCES CHIEF SUTELA COMPLAINS BUDGET BILL IS INADEQUATE

Helsinki UUSI SUOMI in Finnish 22 Sep 83 p 27

[Article: "Government Is Not Implementing Recommendations"]

[Text] The increase in expenditures for the defense forces will be 5-percentage points less in next year's budget as the total budget and the relative proportion of defense expenditures in the budget are reduced by 0.2-percentage points next year according to Defense Forces Commander Lauri Sutela.

In his comments on the budget General Sutela states that attempts to limit the growth of the state budget have been "forcefully directed at expenditures in the defense forces and thus at opportunities to accomplish the developmental recommendations presented by the Third Parliamentary Defense Committee".

According to Sutela, we are falling behind significantly with respect to salaried personnel, recurrent training, and the procurement of defense materials.

Defense procurements will remain 300 million markkaa less than the recommendations of the parliamentary committee. After this year's regular budget and supplementary budgets, purchases will increase only 1.3 percent and the purchase value will decrease, notes the commander of the defense forces.

Even Positive Aspect Can Be Found

The increase of 1,500 reservists undergoing recurrent training is already for the second year only half of the annual goal of 3,000 additional men. The actual increase of 49 people in salaried personnel represents only one-fourth of the committee's recommended annual increase of 200 people, confirms the statement.

Sutela cites as positive aspects the raising of the daily allowance for conscripts, the allocations for conducting primary military exercises, the three authorizations for continuing the procurement of maintenance and communications equipment and personnel for Northern Finland as well as the authority to procure aircraft for improving the air space surveillance of Southwest Finland and replacing aircraft being taken out of service in the Lapland Flight Detachment.

General Sutela assumes that in the future there will be a purposeful increase in the defense budget. Only then will it be possible to develop our defense capabilities within the time limit already stipulated by the recommendations of the committee, he states.

10576

CSO: 3617/14

LABOR PARTY REFUSES TO BACK SOCIALIST-LEFT DEFENSE SEAT

Oslo AFTENPOSTEN in Norwegian 5 Oct 83 p 9

[Article by Terje Svabo]

[Text] "Let us find a solution that will prevent Stein Ornhøi of SV [Socialist-Left Party] from being on the Defense Committee." AFTENPOSTEN has learned that this was the Labor Party's plea to the Conservatives when Storting committees were being set up after the 1981 election. Against that background Conservatives today are noting with surprise and some irritation that the Labor Party now says that the party has nothing against expanding the Defense Committee so that Ornhøi can become a member.

SV has asked to have Ornhøi included on the Defense Committee in connection with the shifts taking place in Storting committees following the reorganization of the government. It caused quite a stir in Conservative circles when the Labor chairman of the Defense Committee, Knut Frydenlund said yesterday that the Labor Party would not oppose membership for Stein Ornhøi.

The surprise and irritation in the Conservative Party are due mainly to the following:

When the committees were being set up after the 1981 election, it was known that SV wanted a place on the Defense Committee. Both the Conservatives and the Labor Party discussed whether it would be an advantage to include SV on the committee or whether it should be excluded. From what AFTENPOSTEN has reason to believe, these discussions were halted following a request from the Labor Party.

The Labor Party secretly got in touch with the Conservatives and asked that SV not become a member of the committee. The Labor Party's motives were allegedly that the party already had big enough problems at that time with the left wing concerning the missile issue and did not want another harrowing debate if Stein Ornhøi with his knowledge of security policy matters joined the committee and put pressure on the Labor Party faction.

After the government reorganization in the spring, Conservative parliamentary leader Jo Benkow is said to have made contact with his Labor colleague, Gro Harlem Brundtland, to effect an expansion of the Foreign Policy Committee. The Conservatives wanted such an expansion for personnel reasons.

A short time after this request, Gro Harlem Brundtland returned with a negative reply to such an expansion of the committee. Against that background, Conservatives are annoyed that the Labor Party now wants to try and expand the Defense Committee in order to include SV's Stein Ornhoi. The Conservatives were also sharply critical of the fact that their party would be blamed for the fact that an expansion of the Defense Committee would probably not occur.

Prominent Conservatives pointed out to AFTENPOSTEN that it must be up to the Labor Party and SV to solve the problem that has been created. The Conservative Party has strictly adhered to and filled the committee seats the party received in 1981 and it was maintained that it is not the Conservative Party's responsibility to solve the problems of any other party in this round.

At the moment there is some confusion in Storting as to who should sit on the various committees. Therefore it is urgent that the Storting Selection Committee be assembled so that these questions can be clarified before the budget discussions take place. The Conservative Party has sent a letter to the Storting presidium to get the process rolling.

It is part of the picture that SV will demand a plenary session vote if Ornhoi is not included on the Defense Committee. A vote on such matters in Storting is an unusual event in our parliamentary affairs.

6578

CSO: 3639/9

ADMIRAL URGES NATO TO STRENGTHEN POSITION IN NORTH NORWAY

Oslo AFTENPOSTEN in Norwegian 4 Oct 83 p 2

[Article by Rear Admiral Reidar Berg, director of the Defense College]

[Text] During a visit to Norway last month, American Navy Secretary John Lehman said an American aircraft carrier force in the northern Norwegian Sea is important because it would be capable of meeting an attack from the East much closer to Norway.

In a speech at a security policy seminar organized by the European Movement in Oslo on the weekend of 17 and 18 September, the director of the Norwegian Foreign Policy Institute (NUPI), Johan Jorgen Holst, said according to the report in ARBEIDERBLADET on 19 September 1983 that these signals were disturbing. He said that the superpowers in the northern part of the Norwegian Sea would increase tension and involve a threat to the established policy of low tension in that region. It is to be hoped, Holst said, that we will be able to discuss with the Americans why it is so important to stress vulnerable operations aimed at striking the Soviet installations on Kola in the initial phase of a future war.

Seriously, the good Holst has now gone much too far "in the noble art of (self-) defense." He talks about a policy of low tension. Low tension means little tension between two opposite poles--in this case, presumably, two opposite political poles. However the tension between the potential military forces in the North Sea is quite high and Holst would prefer to make it even higher by reducing the possibilities of our alliance to strike the Kola facilities in the initial phase of a future war. What Holst is saying, among other things, is that our air fields, bases, ports, deployment areas and so forth should be exposed to missile and bombing attacks from Russian airplanes without anything being done to attack the Russian air fields and to reduce the capacity of the Russians to launch air assaults against us. Holst must be aware that attacks on air fields would be the most effective way of removing Russian air combat forces from the picture. We (Norway) lack the resources for this task and therefore we are entirely dependent on help from our allies to carry it out. We would have more than enough to do in the first round to defend and hold our own

territory until we get help from allied land combat forces so that we can dig in for good. But defending our air space would be decisive for the successful defeat of an invasion.

I do not understand the great stress by Holst and those in his camp on "low tension" in the North. The Russians have nothing to fear from us. To attack and occupy the Kola peninsula, NATO would have to muster something like 30 divisions in North Norway in order to be, as necessary, three times stronger in an assault position than our opposite number, in other words the number of divisions the Russians have within the Leningrad military district itself. That kind of thing is Utopian, of course. If we look at the balance of forces in other sections, they may be more favorable for NATO, but quite inadequate for an aggressive war. Besides, NATO is a defensive alliance whose main goal is to prevent war. The Russians know this as well as we do, but the "fear" of being attacked is part of their propaganda both at home and abroad, among other reasons to influence weak souls in the West to take "steps toward detente" which serve only to weaken defense capability in the West.

There is only one conceivable aggressor, the Soviet Union, but only after the West has lowered its guard and been given a knock-out punch in the first round. Detente and low tension have been one-way streets from West to East and the East has used the time to step up its potential force to a disturbing extent. As things have developed, the only thing for the West to do is to keep its powder dry and try to maintain the balance of forces as best it can. And balance is not just a question of the number of divisions, planes and ships, but just as much a question of military strategy, doctrines and operation concepts which must be worked out by those capable of doing so, namely generals and admirals, and not by intelligent civilian academicians (cf. what this led to in Vietnam). However it sounds so elegant to say that war is much too serious to leave to the generals. That is a specious and dangerous way of talking, just as low tension is. If the politicians get us mixed up in a war, they must for God's sake allow the generals to straighten things out for them without being tied hand and foot by political encroachments that make victory impossible.

So what is all this about? The battle for the Atlantic was decisive in World War II. It would be the same in a conventional World War III. It would be necessary to bring in massive reinforcements from the United States to western Europe. Of equal importance would be follow-up supplies, both for the military and for the civilian population. All this would require as many as 6,000 commercial ships making an average of one round trip a month, in order to transport all the goods and materiel needed.

Submarines from the Soviet North Fleet represent the major threat. They have a long way to go to reach the operation area, 2,000 nautical mile to the northern route between the United States and Europe, 2,600 to a more southern route. With Norway in Soviet hands, these distances would be

substantially reduced to 1,000 nautical miles or 2,000 round trip. Airplanes of the Backfire type, which carry long-range missiles, are also a serious threat. Norwegian air bases in Soviet hands would mean a sharp increase in the number of air raids against our allied forces.

NATO's defense concept (concept of maritime operations) is based on three principles: containment, defense in depth, retaining the initiative. In brief this involves holding the Soviet North Fleet back with a sustained attack close to and at the Kola base. Actually this means nothing more than adhering to one of the most important principles of war--offensive martial actions. And Norway is essential for carrying out offensive air operations. It is also obvious that the battle for the Norwegian Sea would be decisive for the battle for the Atlantic Ocean, the North Sea and adjacent shallow ocean areas as well as in part for the Mediterranean Sea.

It is not difficult to see that Norway--and especially North Norway--is of great strategic importance in several respects. The Soviet Union needs our area in order to prevent NATO from using it, to gain control over an area of great importance to the securing of bases and forces, to advance air warning systems and air defense and to establish forward bases. NATO's needs are the opposite: to keep the North Fleet in check and to neutralize its bases.

Thus the strategic conflict of interests is unusually tense and there will be a violent explosion if the Soviet Union decides to turn on the electricity. But this does not have to lead to a short circuit if we and our allies mount a total resistance immediately--and make our preparations for doing so in peacetime.

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CSO: 3639/9

NAVAL INTEREST GROUP ASSERTS SEA FORCES TOO WEAK

Oslo AFTENPOSTEN in Norwegian 4 Oct 83 p 30

[Text] "Norway's naval readiness is in serious jeopardy," according to the Navy Society, which is an organization of 150 officers trained at the Naval Academy. The society's contact conference said that the government's Defense Report outlines such a drastic reduction of the navy that it would mean a fundamentally unacceptable weakening of Norway's naval readiness and the nation's total defense capacity. With ships in mothballs, reduced readiness is already a fact, it was said.

Therefore the Navy Society's contact conference resolved to ask Storting to pay more attention to the realities of the navy's situation and to treat it more seriously than was apparently done in the government's report on defense activity in the years 1984-88.

Commander Svein Carl Sivertsen told the NTB news agency that the Navy Society fears that more ships will be placed in mothballs as a result of the lack of money for defense. There has already been a reduction in readiness. This August, one of the navy's few frigates was laid up and last week a corvette was mothballed. These two ships represent a 35 percent reduction in the navy's antisubmarine capacity.

"We are afraid that this development will continue, so that by the end of the planning period covered by the Storting report we will have a sharp reduction for all types of vessels," Sivertsen said.

"The rise in the exchange rates of the American dollar and the German mark have caused the defense system a loss of half a billion kroner so far on the purchase of the American F-16 plane and submarine construction in Germany," said Sivertsen. "It is by no means certain that these defense losses will be covered. With the situation as marginal as it is for the armed forces, this could mean laying up more ships. There have been no signs that the funding authorities will do anything quickly enough to deal with this situation," said Commander Svein Carl Sivertsen.

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CSO: 3639/9

FORMER FOREIGN MINISTER FRYDENLUND ON 'IMBALANCE' IN FORCES

Oslo AFTENPOSTEN in Norwegian 13, 14 Oct 83

[Op Ed Article by Storting representative Knut Frydenlund, chairman of the Defense Committee]

[13 Oct 83 p 2]

[Text] In an interview in AFTENPOSTEN on 11 July of this year, Defense Chief Sven Hauge said that "something drastic must be done to cut spending and achieve a quick impact. The cuts will affect all branches of defense and it is quite definite that we will have to live with a lower activity level in the future."

With this statement, the defense chief points out several basic problems confronting the defense system today, problems that have something to do with lack of balance.

One is a lack of balance between the activity the defense system is currently expected to carry out and the resources available for this activity.

The other main problem is an imbalance between operation and investments, in other words current activities claim so much of the budget that there is little left over for investment and materiel acquisition.

Both these problems appear clearly in Government Report No 74 (1982/83) which is the next Five-Year Plan for Defense, a report that is now being taken up in Storting.

There are several reasons why the defense forces got into this situation. One of them is the cost explosion with respect to the development of weapons technology. Another is the cutoff of American weapons assistance. We also have the general prosperity trend in Norway from which defense personnel cannot be excluded. At the same time the defense system is trying to accomplish two tasks--relying on universal military service and a mobilization defense while at the same time seeking, because of Norway's

strategic location, to maintain as high a level of standing readiness as possible.

When it comes to the responsibility for this imbalance the military would probably blame the politicians--while the politicians would blame the military. Both sides would probably be partly right and thus both share some of the responsibility.

One must be extremely careful when suggesting changes in an organization as extensive as the armed forces. They have been compared to a super-tanker with an extremely small wheel. But since we have entered a situation in which something must be done, according to the chief of defense, there is good reason to have a debate on the defense structure. The question is whether we can maintain defense capability or, preferably, strengthen it with the resources available to us. Storting's discussion of the long-term plan for defense can be a natural starting point for such a debate.

As the basis for such a debate, I will first outline some major alternatives that exist and then look into whether the development trends that have brought us into the present situation will continue to apply in the future.

One alternative is to continue as before and ignore the warnings from the defense chief or those that appear in the government's report. But this is also an important choice. This alternative will also lead to changes in defense structure, but not as the result of a guided development. The savings must be made, but they will be made in areas where they will have an impact at the moment, in other words fewer maneuvers, lower stockpiles and other measures that affect what has been called the "cutting edge" of defense.

Another alternative is to appropriate more for defense than the amounts estimated in the long-term plan. In NORSK MILITAERT TIDSSKRIFT No 3, 1983, General Tonne Huitfeldt argued that there is nothing wrong with the present defense structure. The problem, in his opinion, is that this structure presupposes more resources than what is being provided. John C. Ausland in his book, "Norway and a Third World War," also sees the solution to Norwegian defense problems as lying in a substantial increase in the defense budget.

A third alternative is to reduce current defense activity in such a way that it matches the proposed appropriations. This is the alternative the government favors in Report No 74. The government suggests here both an annual growth of 3.5 percent and a need to reduce activity. It is praiseworthy that a frank statement has been made that something has to be done. But nothing is said about what should be reduced in this 5-year period. The government will return to this problem in the annual budget bills. That is a weakness for the Storting debate of the long-term plan.

Then we have the alternatives that involve changes in our concept of defense and that thus also involve fundamental changes in the current defense structure. Editor Frank Bjerkholt takes up such an alternative in NORGES FORSVAR No 6, 1983. He writes here that it is now time to start working on a new defense concept that must be based on an allied division of tasks, thus drawing the full consequences of our membership in NATO. As an illustration of such a division of tasks, he mentioned that Norway keeps air fields operative while our allies keep the airplanes ready.

Another more extensive alternative of this kind would be to emphase the mobilization forces only and in such a way as Colonel Hald argued for, so that readiness is maintained. In this connection the principles underlying Switzerland's defense are often referred to, where the civil bodies in society are utilized to the maximum extent in the service of defense, with greater emphasis being placed on refresher training at the expense of basic training, where they have renounced the most advanced technology in order to get more equipment, modernizing materiel instead of replacing it and utilizing the total leadership capacity of society via the reserve officers' corps.

[14 Oct 83 p 2]

[Text] The fundamental problems confronting the defense forces today, as discussed in the previous article, cannot be solved just by increasing appropriations. There are many indications that these problems are the result of certain persistent lines of development, so that at the outset of the next long-term program, we will also face the same problems, namely that the activity level will continue to be high in relation to disposable resources and that there is still an imbalance between operation and materiel acquisitions. A debate on Norway's defense capacity and the structure of defense should therefore start out with these lines of development, such as weapons technology development, the development of the threat facing the nation and the development of the Norwegian society, to name some of the more important ones.

When it comes to the development of weapons technology, there is every reason to assume that it will continue, possibly with even greater speed. What we have experienced so far is that each time a weapons system is replaced, the replacement costs many times more than the original system. The extent of the problem can be illustrated with the F-16 airplanes, which cost more than 100 million kroner apiece, while the unit price for the older generation of plane--the F-5--was 5 million kroner. We face corresponding cost explosions in acquiring other weapons, such as the new submarines that have now been ordered. This raises the question of quantity versus quality. It will not be possible for a small country like Norway to compete with a superpower over the entire spectrum of this weapons technology race. We will face an opponent with new and better-quality weapons than those we ourselves have. This realization must have an effect on how the defense forces are equipped and organized, among other things by being able to

utilize the new defense possibilities provided by the development of weapons technology.

When it comes to the opponent's military capacity, this will probably increase, both as a result of new weapons and because of greater mobility. Consequently defense tasks will grow faster than the influx of resources.

The necessary consequences must also be drawn with respect to possible changes in the nature of the threat. Due to its location it is natural that Norway should continue to feel a special responsibility for and be particularly concerned by the defense situation in the northern regions. But if it is true, as some experts now claim, that Soviet strategy is primarily based on securing a rapid breakthrough in central Europe, this will have an effect on the defense of southern Norway.

An evaluation of the threat must also include the increased opportunities an opponent has of creating chaos and panic when war breaks out. Both the civilian society and the military itself have become incredibly complicated over the years so that one would expect that an opponent would put a lot of emphasis precisely on putting the central administration and command out of action. This calls for a high degree of decentralization.

The general development of society in Norway will also have an effect on defense activity. It is obvious that it is neither possible nor desirable to keep defense personnel outside the general development of prosperity. But that means increased costs, especially with regard to standing readiness. An important question, therefore, is how the necessary readiness can be maintained without exceeding all the cost limits. In this context it can be of interest to study the system the Americans have established through their National Guard. By using former pilots who have gone into other jobs as part-time pilots, they are trying to maintain the readiness level of their air force. When the Americans with all their resources can resort to such an arrangement, it should also be possible to consider it in Norway. This example was given to illustrate one attitude toward cost-saving measures.

I have pointed out briefly certain elements in development. Others will stress other factors. Due to our membership in NATO, it is easier for us to deal with these problems than it otherwise would have been. But there is still reason to take the problems posed by this development seriously.

However Norway has one resource that must be guarded and utilized. A study recently made of defense determination in 12 West European countries, the United States and Japan showed that Norway lies at the top, with 87 percent feeling that Norway should have a military defense and 82 percent saying they would be willing to fight in the event of war. These figures support the concept of the draft and a mobilization army. They underline how important it is in a crisis situation for as many people as possible to know where they should be and what they should be doing. That is why

total defense is so important. But that is also why it is important to find a solution to the concrete problem that a very large number of those who have been through basic training are not available for mobilization today. Norway's defense capability would probably have been strengthened if these numbers had received a shorter basic training period but had received the necessary equipment and direction.

Storting must now debate the long-term defense plan for 1984-88. It will be essential for the Storting discussion to have as many viewpoints as possible emerge. The political debate on defense has primarily concerned arguments over percentages so far. However the problems facing the armed forces today cannot be solved by means of 1 percent one way or the other. Although I do not think it would be right to present any final conclusions at this point, my view is that the intention with such a debate should be to find out how one can get the greatest possible defense capability for the resources at our disposal and whether the announced reductions in the level of activity can be offset through forms of activity that are less expensive.

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CSO: 3639/11

AUSLAND BOOK ON DEFENSE SHORTCOMINGS STIRS DEBATE

Oslo AFTENPOSTEN in Norwegian 30 Sep 83 p 25

[Article by Kjell Dragnes]

[Text] Deterring a Soviet attack is the only chance to avert World War III, a war that would have catastrophic consequences for Norway. We should realize that as soon as possible instead of just discussing the security policy problems of other countries, in the view of John Ausland, who is already encountering opposition to the views he expressed in his book, "Norway and a Third World War."

"John C. Ausland has written a frank and candid book that will probably stir up a debate." That is what University Press wrote in its advertisement for the book, "Norway and a Third World War." Whatever one thinks of advertising, the publishers are right. There was a lively debate yesterday when the book was presented not only to the press but also to a wide selection of security policy experts.

Some of them were also on a panel that made comments on the book. A small selection of statements:

"I strongly disagree on the point of departure and thus with his conclusion as well. But Ausland has written an honest book without the veiled language that usually characterizes the Norwegian debate on security policy." (Storting representative Stein Ornhof)

"I think we have a more realistic picture of the threat we are exposed to. We have good up-to-date information about what the Soviet Union is doing in areas of importance to Norway." (Undersecretary Oddmund Hammerstad, Defense Ministry)

"I do not agree that the agreement on security policy in Norway is a disadvantage. It is an asset. It is no use to tell the Norwegian people that we have a poor defense while at the same time asking for more money in addition to the 13 billion kroner earmarked for defense." (Storting representative Knut Frydenlund)

"I think Ausland looks at us with very American eyes. It would be better for us to look at Norway and the United States as part of an alliance. There is too much talk about American decision mechanisms. But I agree that we should do more for what is most important--the prevention of war." (General H. F. Zeiner Cundersen)

Ausland's point of departure was that the book should contribute to the Norwegian security policy debate which he considers much too fragmentary and Norwegian-centered. In addition there is a lack of information and analyses. But he stuck to his main conclusion even after the panel, the four gentlemen quoted above, presented its objections:

"Norway has a good defense position for peacetime. It tells the Soviet Union and the Warsaw Pact countries: We will fight. But that still leaves a serious question--how can defense be improved? There are serious shortcomings that would be revealed in a war."

The debate that unfolded on the panel, partly as a result of questions from other interested persons, showed that Ausland's book can be read in at least two ways. Stein Ornhof found that it clearly demonstrated the extent to which Norway has now been involved in the worldwide plans of the United States and how important we have become to Washington. He regarded the book as a confirmation that the threat to Norway's security was primarily due to the fact that we have made ourselves available for the defense of U.S. global interests. U.S. interests are not the same as ours, he said, adding that the book is an invitation to call for a new election. Either take the consequences to their fullest extent and step up militarization or find other security policy solutions.

Undersecretary Hammerstad viewed the book, perhaps not unexpectedly, in a different light. Prior storage of equipment for an American Marine infantry brigade, which was interpreted one way by Ornhof, was called turning things upside down by Hammerstad. It is not the Americans who are trying to make us accept these stockpiles; Norwegian governments have made active efforts to arrive at the agreement that was reached in 1981. And he praised the Labor government in which Frydenlund was foreign minister for work well done. And Frydenlund could fill in the picture after the trip he recently made around the United States in his capacity as chairman of the Storting Defense Committee--there is considerable opposition in Congress to prior storage in Norway. But the agreement will be honored, he said.

Perhaps the hottest potato in the debate was nuclear arms, using them or not using them, control over decisions, what role they can and should play. Do Norwegian political authorities have any control?

Ausland himself raises these questions in the book. The answers from panel participants also varied widely. Undersecretary Oddmund Hammerstad stated that Norway has absolute veto power and that it is not possible for a military leader to seize the opportunity to use nuclear weapons during a conflict in Norway without receiving the approval of our government.

General Zeiner Gundersen stressed the same point. The decision must be made on the political level, no military leader can make such a decision on his own. But Ornhof was more skeptical, saying that there are many things that do not apply when one gets closer to a belligerent situation.

The debate started off exactly as Ausland wished. But he also had a heart-felt sigh directed not only to Norwegian politicians but to the media as well: In Norway there is a peculiar ability to turn international problems into Norwegian domestic politics. He hopes that the book will serve as a springboard to the discussion of serious security problems confronting Norway and that the media "will refrain from using it solely to play the domestic policy game they are so fond of."

The book can and will be misused by the Soviet Union, he said. But that is something that must be accepted, since Norwegians need facts in order to understand Norway's security problems, Ausland said.

Norway Can--and Must--Do Much More

What more can Norway do to prevent a third world war? That is the central question John Ausland asks in his book and he maintains that today much too little is being done. The explanation lies in a "persistent flight from reality in relation to defense issues."

"I cannot help asking myself if the Norwegian people and Storting would support a higher defense budget if only the country's leaders of opinion and mass media would be willing to explain to a greater extent and in more unvarnished terms what dangers the nation is confronting and what conditions are like in the nation's defense," he writes.

Deterrence is the only possibility of preventing war and occupation. If deterrence fails, Norwegians could be asking themselves, as they did in 1940: "Why didn't we use more money on defense?" This is what Ausland writes in the conclusion to his book which we print an excerpt from.

The military terms he uses stand for: AFNORTH--Allied Combat Forces in Northern Europe. SACEUR--the supreme allied commander in Europe. SACLANT--the supreme allied commander for the Atlantic.

The excerpt below comes from the chapter entitled: "AFNORTH's Strategic Priorities."

"In the event of an attack from the Warsaw Pact lands, AFNORTH will give the highest priority to meeting the Warsaw Pact's attempt to destroy airplanes and air bases belonging to AFNORTH. If we can assume that this will succeed to a certain extent, AFNORTH will concentrate on destroying Warsaw Pact air bases. Since the Norwegian plains and the allied planes intended for dispatch to Norway have a limited ability to carry out attacks on the Kola peninsula, this task will have to be carried out to a large extent by airplanes based outside of Norway. But there will be a great

demand for those planes. If the Norwegian government continues to insist on limiting the operation range of airplanes arriving in Norway, it is possible that the Soviet Air Force will find a sanctuary on the Kola peninsula. With regard to attacks against the Kola peninsula, this will require selecting targets with the greatest care due to the strong concentrations there of both conventional and nuclear forces. As long as warfare remains in the conventional phase, SACEUR must think twice before approving attacks on targets that might give the opponent the impression that he is going to use nuclear weapons. But since many of the Soviet planes have dual operating capacities and nuclear units are an integral part of Soviet ground forces, this will be difficult. (Warsaw Pact commanders will confront a similar problem if they attack NATO forces on the continent or in Great Britain.)

"In an attack on the Kola peninsula, the important thing for NATO planes will be to avoid attacking Soviet missile silos south of Murmansk or Soviet submarines armed with nuclear missiles. (But this does not exclude NATO's submarines from being used to lay mines to prevent ships from the Soviet North Fleet still in port from slipping out into the open sea.)

"It is important to be aware that regardless of who wins the war in the air, it will lead to a big loss of planes on both sides. If AFNORTH gets through the first couple of days with half of its planes intact, it will have done very well.

"If we assume that AFNORTH can win supremacy in the air, the planes will then have the job of supporting land and naval forces. Planes based in southern Norway will be capable of operating over the entire AFNORTH area, as well as the ocean areas around Norway.

"When it comes to ground combat, AFNORTH will be concerned at first with defending Norwegian air bases and ports. The air bases in North Norway will be the most vulnerable in the initial phases of a conflict.

"The task of Norwegian ground forces in Finnmark will be to delay the advance of Soviet forces toward these air bases on land. But since Finnmark can be taken within a few days, it will be the Norwegian forces in Troms that would have to withstand the main thrust of an attack.

"The task of the Norwegian Navy will be to take care of attempts at invasion by whatever naval forces get through the assaults by AFNORTH's air forces. Norwegian submarines and torpedo boats as well as coast guard artillery and mines will play a decisive role here.

"If the American Marine brigade has been stationed in Trondelag, its use will depend on how AFNORTH interprets the Warsaw Pact's strategy. The AFNORTH crisis plans include several alternative areas of effort in different parts of Norway.



NATO's Northern Flank

Key:

- | | |
|--|---|
| 1. Orion planes | 9. NAMSEN: Naval fuel supplies (stockpiles) |
| 2. AWACS air field | 10. AWACS: NATO's warning and control planes |
| 3. Military air fields | 11. Invictus: American planes from aircraft carriers (stockpiles) |
| 4. COB air fields (with stockpiles) | 12. MAB: American Marine Brigade (stockpiles) |
| 5. Proposed COB air fields | 13. COB: Cleared Operations Bases |
| 6. Electronic installations | |
| 7. Orion planes: Norwegian ocean surveillance planes | |
| 8. CAST: Canadian brigade (stockpiles for 1 battalion) | |

"The task of the home guard will be to guard vital installations, deal with saboteurs and maintain public law and order. It will be no easy task to maintain public law and order if people panic and flee from the cities.

Schleswig-Holstein and Denmark

"As mentioned above, NATO's strategy for the defense of Norway cannot be discussed without including the BALTAP area (Schleswig-Holstein and Denmark). If decisions are made in time about mobilization, reinforcements and minelaying, the NATO forces in this area will represent a formidable defense against any aggressive efforts by Warsaw Pact lands. But if the Warsaw Pact lands are successful in an attack on Schleswig-Holstein and Denmark, southern Norway will become an evacuation area.

"If allied planes in the BALTAP area are exposed to attack by ground forces it will be necessary to evacuate them. But if these planes are to be able to operate from Norwegian air bases, advance storage of spare parts and ammunition will be necessary. However at present there are no stockpiles in southern Norway of spare parts for many of the kinds of planes that will operate from air bases in Denmark, such as the German Tornado and the American F-15. The lack of spare parts could lead to AFNORTH losing these airplanes to other NATO commands.

"In the event that allied ground forces in the BALTAP area are in danger of being put out of action, AFNORTH will try to evacuate as many as possible to southern Norway. The decisive element at that point would be who has air supremacy. Without supremacy in the air losses would be terrible.

"The task of the Norwegian mobilization forces and the forces that have been evacuated from Denmark will be to handle any effort by the Warsaw Pact lands to invade southern Norway. The forces that are evacuated from Denmark will probably not be able to bring very large amounts of ammunition and equipment with them. Since at the moment there are no arrangements to re-equip these forces in Norway, this will have to be improvised.

SACLANT's Readiness and War Plans

"So far I have dealt mainly with air and ground maneuvers in the northern regions that will be AFNORTH's responsibility and assignment. But the battle for control over the northern Atlantic Ocean will also be in progress. This area comes under NATO's supreme allied commander for the Atlantic, who is located in Norfolk, Virginia.

"SACLANT's crisis plans correspond to SACEUR's 'Plans for the Rapid Advance of Reinforcements.' The crisis plans are a series of plans aimed at preparing for the readiness of the forces under SACLANT's command during a crisis. The plans are worked out to serve as a deterrent to aggression by the Warsaw Pact lands and to provide NATO forces with an optimal starting point for waging war if deterrence fails.

"SACLANT's crisis plans are directed primarily toward the Norwegian Sea.

"SACLANT's war plans cover a long list of sea operations, such as mine-laying, amphibious operations and protection of shipping. It is part of SACLANT's area of responsibility to deploy American Marine forces in Norway and Denmark if they are sent there by sea. He is also responsible for moving reinforcements to island commands, which include Iceland, the Faeroes and Greenland. Since there are no plans to send reinforcements to Svalbard, one must assume that at some point in a crisis Norwegian authorities will evacuate the people living there and destroy the air field at Longyearbyen as much as possible.

"SACLANT will turn to AFNORTH for air support from planes located in Norway. This requires a coordinated air defense by AFNORTH and SACLANT. NATO's AWACS planes will play a vital role in accomplishing this.

"In brief, NATO is important for the defense of Norway, but Norway is also important for NATO."

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CSO: 3639/11

OVERVIEW OF 1984 ARMED FORCES MODERNIZATION BUDGET

Madrid EL PAIS in Spanish 13 Oct 83 p 18

[Text] Madrid--Next year the Ministry of Defense will spend 308,474,000,000 pesetas to modernize the armed forces, a quantity derived from the provisions set forth in law 44/82, on funds for the military. The total budget for the department for 1984 amounts to 552,834,000,000 pesetas, 265,728,000,000 of which are for personnel. This figure, for the first time in the last 10 years, is less than 50 percent of the total budget of the ministry.

The Defense budgets for 1984 have increased 74,501,000,000 with respect to those of this year (478,333,000,000), an increase of 15.58 percent. The amounts dedicated to the modernization of the armed forces will be almost entirely used for real investments to buy or make new materials (187,724,000,000) and to acquire goods and services (89,636,000,000). The largest category is that of personnel expenses, followed by that of real investments and that of acquisitions of goods and services.

As in recent years, one of the areas that has experienced the greatest increase with respect to the previous period is that destined for real investments. The 137,898,000,000 that appeared in the 1983 budgets for this section has increased to 187,724,000,000 in next year's budgets, which represents an increase of 33.23 percent. This large increase is due to the numerous purchases of war materials planned by the army, navy and air force.

On the other hand, the area which has increased least, relatively, is that of personnel expenses, which has changed from 246,076,000,000 to 265,728,000,000, an increase of 19,652,000,000 (7.99 percent). Nonetheless, the Ministry of Defense has affirmed that the approval of the new law on military pay is expected before the end of this year, which will require an adjustment of the budgets if this law applies in 1984. The law, now being prepared, provides for equating military salaries with those of civil servants, which will create a notable increase in salary for the military.

Air Force Complaints

The division of the budgets among the three armed forces has caused new tensions, as in previous years, among the highest military commands, since the heads of staff have done everything possible to obtain the largest sums for their own forces. In the opinion of those who are responsible for the development of this budget, for the first time in recent years the priority of the programs of each armed force and the urgency in realizing them have been taken into account for the distribution. Even so, some programs of great importance for national defense have been postponed for later exercises, which has caused evident discontent among the leaders whose missions were adversely affected.

Also as in previous years it is the air force which feels most wronged. Some of its most important programs, such as the one regarding the improvement and modernization of the alert and control network, cannot be covered with next year's allocations. In this sense, it should be noted that, while all military hardware has become much more expensive in recent years, the equipment that the air force uses is that which has experienced the greatest increases in price.

In the majority of the developed countries a large part of the budget is dedicated to the armed forces, since the main defense materials and equipment are based in them. In Spain, however, the quantities dedicated to the air force in the last few years represent approximately 21 percent of the total budget of the armed forces, as opposed to 54 percent dedicated to the army and 25 percent to the navy. Of the 308,000,000 which will be dedicated to modernizing the armed forces, only 68,091,000 will go to the air force, as opposed to 123,640,000 for the army, 104,857,000 for the navy and 11,896,000 for the Central Defense Unit, where services common to the three armed forces are intergrated.

12467

CSO: 3548/37

PACIFIST MOVEMENT PROVING DIVISIVE FOR PSOE

Madrid EL PAIS in Spanish 13 Oct 83 p 17

[Article by Fernando Jauregui: "The Call for Pacifist Demonstrations Provokes Internal Division in the Socialist Party"]

[Text] Madrid--The call for a demonstration "For Peace and Disarmament" for the 23rd of this month has provoked deep divisions within the Spanish Socialist Workers Party. The PSOE has decided not to be officially involved with the pacifist week which, first encouraged by the United Nations, will mobilize the pacifist and ecological organizations of all of Europe between the 23rd and 29th of this month. The rejection of the "warmongering policies of the Reagan Administration" and, more concretely, of the installation of nuclear missiles in European territory, will serve as the immediate adhesive for the acts that will be celebrated during this period.

The socialists have kept us in suspense until the last moment regarding their definitive decision on whether or not they would figure among the forces that will support the demonstration which will take place in Madrid on the 23rd, called by the anti-NATO Commission and the Action Committee for Peace and Disarmament. Appropriate members of the Socialist Federation of Madrid, consulted by EL PAIS, expressed privately their desire to attend the demonstration, under the initials of the PSOE. None the less, the leaders of the party declined to participate at the last minute, considering that among the slogans prevailing at the event will be some which allude to the foreign policy of the government of Felipe Gonzalez, such as "NATO no," "Time for a clear referendum;" "Bases no" or "Lower military expenses."

All the same, among the groups that will support the demonstration, according to the poster which will announce the event, is the Socialist Youth of Madrid. The General Workers Union of Madrid, which had announced at the beginning that it would also sponsor the demonstration, withdrew its support for the convocation at the last moment, apparently after a long internal debate.

Socialist circles remembered the polemic that followed the lack of the PSOE's official participation in the pacifist demonstration of last 12 June, in which, however, qualified representatives of the socialist Left were present, such as the member of the Cortes Pablo Castellano, and the Movement for Peace, Disarmament and Freedom, considered to be very close to the PSOE, though not organically dependent on the latter party.

Protagonism of the PCE [Communist Party of Spain]

Among the groups that are specifically supporting the convoking of 23 October are, besides the Socialist Youth of Madrid, the Communist Youth, the Communist Unification of Spain, the Revolutionary Communist League, the Communist Party (M-L), the Communist Movement, the Workers Commissions, the Recuperation Movement of the Communist Party and the Ecologist Coordinator of Madrid.

The Communist Party of Spain likewise supports this convocation, which can probably expect the presence of the main leaders of the PCE, headed by their secretary general Gerardo Iglesias.

In fact, the PCE has become one of the principal instigators of the "Spanish version" of the international week of peace and disarmament. After a meeting of their executive committee, the communists released a statement which, after pointing out the danger of international rearmament, demanded from the government "a clear answer regarding the date and the contents of the referendum on NATO."

The allusions to the referendum and to the bases, as well as the possible content of the pacifist activities organized for the 23rd and following days of provocation "against some friendly country," must have been the reasons which have caused the PSOE not to become involved.

In spite of that, it seems that some regional socialist organizations, such as the Aragonese and Valencian ones, are still debating the advisability of their participation in the pacifist and antinuclear demonstrations which may be organized in their respective territories.

In Madrid, in preparation for the demonstration of the 23rd, the Anti-NATO Commission is organizing, for next weekend, an encampment in front of the air base at Torrejon, of joint Spanish and North American use.

12467

CSO: 3548/37

DEFENSE MINISTER THUNBERG ON SUBMARINE INTRUSIONS

Stockholm DAGENS NYHETER in Swedish 27 Sep 83 p 6

[Article by Sven Svensson: "The Submarine Threat Must not be Neglected"]

[Text] "We can never accept foreign submarines illegally and in conflict with international law intruding in Swedish waters," Defense Minister Anders Thunberg said when he spoke in Nynashamn Monday.

Thunberg stressed that it is Sweden's responsibility and definite intention to protect its territorial integrity with all means and to keep foreign subs out.

According to Thunberg, the submarine intrusions must be regarded as a part of a large Scandinavian pattern. The North is no longer a side area, but this does not mean that the risk of war has increased. On the other hand, the North does risk being drawn into a large war earlier than had been expected.

Thunberg admitted that defense finds itself in a difficult economic situation, above all because of the high value of the dollar. Work on the budget must aim at recreating the economic level of the 1972 defense decision. In that case, it will be necessary to try to limit the peace organization.

In connection with the submarine intrusions, there have been some things said in Sweden that Thunberg found dangerous. There has been talk about Swedish security and defense policy being about ready to collapse. "Sometimes this claim has had hysterical overtones that I find ominous," Thunberg said.

"It is important not to make alarmist statements and unfounded dramatizations of our security policy situation and our military capability. It is quite obvious that we have a strong defense quite up to international standards," he said.

9124

CSO: 3650/14

AIR FORCE CHIEF OLSON WARNS OF EFFECTS OF BUDGET CONSTRAINT

Stockholm DAGENS NYHETER in Swedish 27 Sep 83 p 2

[Article by Sven-Olof Olson: "Air Force in Danger Zone"]

[Text] The new "Program Planning Period" signifies a strong reduction in our air forces. We will be forced to much long-range reduction in air bases, supreme command, maintenance, and weapons. The imbalance in the system that will result can only be accepted if it is temporary, according to the Air Force chief, General Sven-Olof Olson.

Unfortunately it is a bitter fact that the economic situation is extremely bad for defense and has serious consequences in its effectiveness. Even though the Air Force, with its large amount of material in combination with a strong interconnection of the various systems, is hardest hit, the total defense is also strongly pressed. Particularly when one relates our planning to the defense decision and its goals that were set as late as last year by the Riksdag.

It should be clear to anyone without a detailed analysis that a reduction in buying power of about 500 million kronor a year (last year about 640 million kronor) for the Air Force alone entails radical reductions in existing and in planned systems. This will also happen rapidly and with little warning.

The reduced buying power has many causes, among others, the high international exchange rate, the devaluation, increase in the value-added tax, and the pure reductions themselves. A temporary reduction in buying power of this size can possibly be met if one postpones and reduces the goals in almost all systems areas. But if the reduction in buying power remains for a longer period, more severe measures must be taken. Measures that cannot be repaired later and that will have extremely serious operative consequences for our nation's defense capability.

It is therefore all the more important that necessary bases for decision are available and are presented in good time and in such a way that one does not deprive the decision makers concerned in the military and political areas of the possibility of preventing irreparable damage.

For the Air Force I can say that the present economic restrictions force many long-range reductions in the areas of air bases, supreme command, maintenance, weapons, and many others. The consequences of this are very serious, but I still think that in the coming five year period, the so-called "Program Planning Period," I will be able to avoid any direct reduction in fighting units, that is, the war organization. I am thinking here first and foremost of our flying divisions.

But the price is high. The imbalance in the system that will arise can only be accepted if it is temporary. It is also clear that a reduction in the armed forces affects the possibilities of civil defense being able to give warning of air attacks.

There is no formal policy decision on defense after 1987. What I can say now is that if the present buying power reductions for the Air Force continue and nothing is done about them, we can be forced beyond the steps already taken or planned to give up the three Dragon divisions, which, according to the Riksdag's decision last year, would otherwise have lasted for more than ten years. To maintain them, we need measures for extension of their lifetimes. These measures were to have been started soon. Here we see the firm connection between present measures and future organization.

My proposal for 1984-85, which I delivered to the government 1 September, pointed out the serious situation. In my part of the supreme commander's program plan, I reviewed the consequences for the Air Force of the present economic direction. Some consequences are so great that in my opinion they cannot be detailed before an overview of defense as a totality is made.

The significance of air defense was stressed greatly both in the defense program of 1982 and in this year's defense program. This is no accident, since our experience indicates that a country with a weak air defense risks being paralyzed by an air attack. Our conscript defense is based to a great extent on mobilization taking place rapidly and with fair certainty. If this is to be possible, good air defense with excellent preparedness is required. We must also be able to undertake regroupings of armed forces to various parts of our far-flung country. This applies on land, on sea, and in the air. Without a functional air force, these possibilities are greatly reduced. The Air Force is therefore of special significance for our whole defense and for our security.

The main component in the air defense is the fighter plane, but sometimes the anti-aircraft missiles and other anti-aircraft forces are also of great importance, even if we are concerned here with relatively short distances.

At present we have 12 fighter divisions in Sweden. Rearmament to the Duck fighter will be taking place, or will begin with eight of them. Our experience with the Duck fighter is very positive, and this makes it all the more urgent for us to continue on the path begun without too many disturbances. The other divisions are Dragon divisions, of which the so-called twelfth, based in Västerås outside of Stockholm, will disappear in the middle of 1985 as a

result of the Riksdag decision last spring. This reduction came about entirely because of the economic situation. At the same time, the great importance of the Air Force was stressed in the Riksdag debates. If we should not be forced to a reduction of another three divisions, this would mean a reduction in numbers of the fighter defense by about 30 percent, and this measure is, as has been mentioned, just one of many in the same direction.

In this situation, it is my responsibility to review as clearly and unambiguously as possible what the consequences would be if no measures are taken. This must logically lead to considerations on the one hand of measures within defense as a whole, which would only have marginal effects, and on the other hand above all on the necessary increase in resources to prevent irreparable reduction. And the measures are urgent.

I want therefore to warn against further reductions in the Air Force, not to recommend them, if anyone may possibly misunderstand my intent.

In the 1960's, a conscious reduction of defense's submarine capability was begun as a result of the defense decisions taken. In recent years, pretty much every one of us has had reason to be gripped by the pale cast of thought. May my warning concerning the Air Force prevent our landing in a similar situation in the future. In we cannot master incidents in time of peace and meet attack from the air in time of war, the result can be catastrophic for our whole country.

9/24
CSC: BA/CJH

FABIUS ON FRANCO-GERMAN INDUSTRIAL COOPERATION

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 7 Oct 83 p 14

[Editorial by Laurent Fabius, French minister of industry and research: "France and Germany Must Work Together More Closely"]

[Text] The French minister of industry is presently paying a visit to the Federal Republic. Because France is one of the FRG's most important trade partners, the French proposals concerning a mutual industrial policy as described below are of moment. To be sure, these are the ideas of a member of a socialist government and are largely at variance with German liberal economic policy but seem informative for this reason as well.

France is one of the few large industrial countries that has a ministry of industry. Some will see in this the confirmation of a traditional image of France: the centralized state that subordinates the initiatives of businesses to the omnipotent bureaucracy. But the reality is otherwise. Like any other country, France of course has its traditions and peculiarities. A number of major industrial programs have been stimulated by the public sector. The unquestionable success of our nuclear energy policy is without doubt due to the common effort of the CEA (Atomic Energy Commission), the EDF (Electricity of France) and basic research. The same is true of the TGV (High-Speed Train) and the new subways of Paris, Lyon, Lille and Marseille. Our space program and the creation of a telecommunications industry are the result of a modern policy of public works. Further programs of this kind are envisioned.

In industry, the stakes are significant. Gaining control of the future will be primarily the task of business enterprises, and they will be able to do this only within the European framework. Industry--which today represents 80 percent of French exports--will continue to be the point where our two countries meet with the rest of the world, and will pay for the resources that we must import. A robust industry is still the most important guarantee of our independence. It is at the same time the basis of our society's progress. In culture as well, the stakes are high, for it is in industry that most of the innovations that revolutionize our life are conceived and spread. Without industry, there would be no incentive or means to develop the service sector.

The industry of the future will be different from that of the present. Within 10 years, the microelectronics revolution will have totally and fundamentally altered the structures of production, and this will be followed by the revolution brought about by biology. To take advantage of these upheavals and to make it our first priority to surmount this third industrial revolution is the most important challenge faced by our two countries today. This is true not only for the success of our top industries--those that will be instrumental in bringing these changes about--but also for the future of our traditional realms of activity that are experiencing fierce competition. In the words of the French president: "There are no lost sectors; there are only antiquated technologies." In France as well as in Germany, there are model industries in the textile, furniture or shoe sectors which demonstrate that the ability to compete internationally can be regained by introducing new techniques into old areas.

Coping with the third industrial revolution is primarily a challenge for our businesses. It is on their dynamism, on their initiatives, on their capacity for renewal, and on the human community that they represent that we must depend. We will also have to count on mobility and flexibility in adjusting to both domestic and foreign developments. There are no substitutes for this. The structure of industry must be developed further. Competition and the opening of borders are a necessity. In this regard, the path blazed by the European Customs Union must be further pursued to overcome the barriers that yet limit trade, especially between our two countries.

I am aware that the integration of the French state-controlled operations into this framework causes doubts in the minds of many of our friends across the Rhine. I think that it is important to stress that these businesses are an integral component of the French and European industrial order, that they are subject to the same rules as their business competitors and that they must show at least a net balance as soon as possible, a charge embodied in the administrative autonomy accorded them.

The French Government has only one objective: to assume its natural role as a shareholder in these businesses and be involved in the financing of their development with an eye to their business profits.

In the social sphere, our action has focused on giving France a modern legislative process, one essentially like that of the FRG or the Scandinavian countries. Thus was the role of the workers council enhanced, the employees' right to express opinions more widely acknowledged and measures taken to encourage employers and union representatives to meet more frequently for dialogue. At the same time, the conditions under which companies work were improved in the various areas of research, training, financing, incentives to start up new businesses and to modernize.

Without European solidarity and global perspective, no effective industrial strategy exists for either France or Germany, in my view. Of course, this solidarity does not rule out the many and beneficial cooperative efforts with the rest of the world. This is true because from here on industry needs Europe as much as Europe needs industry. The growing technological discrepancy with

respect to Japan and the United States can be erased only if industries are able to combine and coordinate their efforts. Consider the extent of our lag as told by the statistics on most new technologies even now. Europe produces less than one-tenth the number of integrated circuits that America produces and less than one-fourth the number produced by Japan. The European data processing industry has claimed only 10 percent of the world market and 40 percent of its own market. One-half of the world's working robots are installed in Japan, one-fourth in the United States. Europe's penetration quota in this area amounts to over 60 percent. Finally--and this affects a leading sector of German industry--a single Japanese company has captured as much as 50 percent of the world market for digitally controlled equipment.

But it is in the area of research that the European situation is especially serious and paradoxical. Despite expenditures on research whose total exceeds that of Japan, the Europeans are registering only 25 percent as many licenses and patents.

This furnishes a picture of what is involved. After promoting the Europe of trade, we must--without dirigism, but with flexibility and ambition--promote the Europe of research and the Europe of industry.

This is the subject of the memorandum that was just presented by the French Government to the Council of European communities. But France and Germany, the backbone on European integration, must go further. It is incumbent on our two countries to be the pioneers of a genuine solidarity.

The year 1983 is a symbolic year. It is the 20th anniversary of the Treaty of Friendship between France and Germany concluded by Chancellor Adenauer and General de Gaulle.

This treaty must retain its full force if our two countries are to be able to meet the great challenges of the future, and we could honor it no more faithfully than by striving for more active and extensive collaboration in all those industries and technologies which will determine the future of the world economy in the coming decades. These are the following: telecommunications, data processing, microelectronics, space exploration, aviation, new energies, biotechnologies.... This collaboration should be the work of our business enterprises and should be supported by our governments and by our peoples.

9992

CSO: 3620/21

POLL MEASURES ATTITUDES ON PRIVATE INDUSTRY ROLE IN ECONOMY

Copenhagen BERLINGSKE TIDENDE in Danish 30 Sep 83 p 12

[Article by Thomas Uhrskov: "Majority Says Yes to Private Industry"]

[Text] There is a majority of the Danish population who is in favor of the idea of denationalization. Forty percent of the people find it is a good idea, while 33 percent do not like the idea. Surprisingly many did not take a position, i.e., 27 percent.

Most Danish voters are rallying around the idea of denationalization, i.e., 40 percent; on the other hand every third Dane is against the idea. This is shown by a new poll which the AIM analysis institute published yesterday.

It appears also in the poll that relatively many voters did not take a position on the question; it is a question of a good 27 percent.

And who thinks what? The poll's figures show some trends.

While women are against the idea, among men there is widespread faith in the idea.

Geographically speaking Copenhageners are siding with the women. In the capital area the majority are against denationalization (42 percent against and 39 percent for), while they are going in for the idea in Jutland (43 percent for and 28 percent against).

Within the job market for once there is agreement. Both workers and independently employed people say yes to the idea. It is only students who as a special group are against the idea (52 percent against and 30 percent for).

Civil servants, however, fall into a group of their own. Here there are just as many for and against the idea, i.e., 41 percent. This is at the same time the group that most clearly indicates that it has an opinion--only 18 percent answered, "Do not know."

It cannot be surprising that it is the non-socialist parties' voters who are supporting denationalization. For conservative voters the figures look like this: 64 percent for and 18 percent against. With that it is surprising

that every fourth Social Democrat and every fifth Socialist People's Party member is for denationalization.

What Is to Be Denationalized

At a denationalization conference yesterday arranged by the Federation of Danish Professional Economists, Professor Flemming Hansen spoke about what attitudes lie behind the poll's figures. Flemming Hansen is the chairman of AIM's board of directors:

"It is of major importance what attitude one has toward the individual branches. Our studies show a distinct trend in the direction of the more positive one's attitude is toward a sector, the less one is in favor of the idea of denationalization in that sector."

"At the same time we have seen that the more one knows about a sector or branch the more positive one's attitude becomes. However, public institutions fall a little outside this."

"We have also seen something to indicate that the attitude toward what ought to be denationalized depends on what has been denationalized previously in the community in question. In this way the attitude is self-reinforcing."

"In one sector, however, there is general opposition to denationalization. This is true of areas in which a personal risk is felt, i.e., patients and the health services department, education, etc.," Flemming Hansen said.

8985

CSO: 3613/11

EC PROPOSAL TO ALTER AGRICULTURAL SUPPORT WOULD HIT FARMERS

Copenhagen BERLINGSKE TIDENDE in Danish 30 Sep 83 Sect III p 2

[Article by Kermit Nørlund, Brussels: "EC Wants to Make Changes in Agricultural Support"]

[Text] Denmark will get less structure support within the agricultural sector if a number of new proposals by the EC Commission are adopted. The proposals imply, for one thing, that it will be impossible to get support for areas where there is overproduction.

The EC Commission is proposing a complete change in structure support in agriculture. The money will go first and foremost to modernization and efficiency measures for the poorest farmers in Europe instead of ending up with farmers who can "present complicated development plans." Agriculture sources in Brussels estimate that the change will reduce the support of the scant 200 million kroner per year which Danish farmers have gotten up to now.

Agriculture Commissioner Poul Dalsager emphasized at the presentation yesterday that poor farmers will especially be hit by the restrictive price policy which the commission wants to carry out in coming years. Therefore, the structure money will especially be to the benefit of these groups. As of 1 January 1984 it will therefore be considerably easier to get support, for some of the stipulations hitherto are being abolished or repealed.

Dalsager estimated yesterday that whereas the support hitherto has gone to 15,000 to 20,000 farmers, henceforth it will be possible to help between 150,000 to 400,000 farmers, though with smaller amounts.

One of the things that will especially hit Denmark in connection with the future support regulations is a general ban against support for production where overproduction has been found. This means that Danish milk producers must look far for modernization support, and meat producers also can come into difficulty, although the commission has not yet drawn up a real "ban list."

"Where we previously placed emphasis on increasing productivity, the support now will rather help poor farmers by reducing costs and improving the quality of their production," the EC commissioner said yesterday.

At the presentation Italy, Ireland and Greece were underlined as areas where agriculture has acute problems, and therefore are to be benefited.

If the council of ministers can accept the EC Commission's proposals, an effort will then be made to get certain groups of farmers to increase their combined income by betting on forestry, tourism or handicrafts.

The new proposals foresee a total amount of support of about 60 billion kroner over a 5-year period, which is close to doubling of the amount hitherto.

8985

CSO: 3613/11

BRIEFS

INTEREST SUPPORT FOR FARMERS--Minister Tries Again. Agriculture Minister Niels Anker Kofoed is reintroducing, with some changes, his bill regarding reconstruction of interest rates, which was not put through in the last session of the Folketing. The bill will help farmers with debts of over 45 percent and the subsidy according to the bill will be granted for 8 years. The minister expects that 25,000 farmers will be able to be covered by the regulation. [Text] [Copenhagen BERLINGSKE TIDENDE in Danish 30 Sep 83 Sect III p 2] 8985

CSO: 3613/11

EUROPEAN COOPERATION STRESSED AT 34TH SICOB

Paris ELECTRONIQUE ACTUALITES in French 16 Sep 83 p 1

[Article by P. M.]

[Text] Opened 22 September by Minister of Economy and Finance Jacques Delors, the 34th SICOB [International Data Processing, Communications, and Office Systems Exposition] is to be held this year from 21 to 30 September at the CNIT [National Center for Technological Research], with 366 exhibitors from 27 countries in attendance. Today more than ever, the heart of the matter is the future of European cooperation in the face of virulent offensives in the field of data processing by the United States and Japan, particularly at the level of the Esprit project, which was the theme of the round table organized as the prelude to SICOB on 13 September and led by M. Danzin.

At the preliminary meeting of the 34th SICOB, its president M. Hermieu announced that next year two SICOBs are to be organized. In addition to the salon which takes place at the end of September, there will also be held at the CNIT from 14 to 19 May 1984 a SICOB devoted to "small data processing" (mini and micro processing and office systems) and to progiciels.

At a time when the market for data processing equipment is in full expansion, deterioration of the French trade balance in this sector is more and more alarming. The negative balance grew from Fr 5.8 billion in 1981 to 7.3 billion in 1982.

This situation appears likely to continue deteriorating at least until 1986.

In the face of a situation which is becoming truly catastrophic, and which also--though in varying degrees--affects France's other European partners,

cooperation on the European scale takes on the importance of a political life preserver. The strategic importance of a data processing industry sufficiently powerful to preserve national independence no longer needs demonstration, so pervasive is that sector today at every level of a nation's life (we need only recall last year's embargo by the American customs of a large scientific computer intended for the Atomic Energy Commission). The stakes are also industrial and social, if we reflect that electronics-related industries are at present the only ones capable of massive job creation.

A country like France, however, has today neither sufficient industrial potential, nor a large enough market, to appear competitive on the international level. Its market, for example, is seven times smaller than the American market. While French penetration of the American market represents but a symbolic 0.2 percent, IBM alone has 45 percent of the French market.

It is more and more apparent that only amalgamation of Europe's industrial resources will make it possible to counter the ambitions of the United States and Japan (the only country in the world, apart from the United States, in which domestic producers dominate their home market).

In terms of aggregate GNP the European Community--and this should not be forgotten--is the world's most powerful economic group. Taking into account those different factors, the Esprit program was launched in the summer of 1982 with the aim of catalyzing the wills of European industrialists to cooperate, an inclination which had been set back by the failure of Unidata in 1976. Esprit intends to base itself on the enormous but badly assembled scientific and technical potential which exists in Europe, in order to make up for the manifest lag of the old continent in terms of information technology.

But though barely launched, the Esprit project raises a number of questions. Is the European lag in data processing cultural or technical? Can pioneering enterprises arise in Europe, though the market is more readily attentive to what goes on in the United States? And above all, is Esprit adequate for making up the huge lag, accumulated over two decades, which has resulted in an actual industrial colonization of the old continent?

The first agreements reached in the context of Esprit are both timid and encouraging, though not without ambiguity.

Among them is the agreement recently concluded by ICL, Bull, and Siemens on artificial intelligence. Though it does not reopen the question of each company's strategy, it does constitute a first step.

And the accord now being reached by CGE and Olivetti for manufacture of typewriters in France is also cause for optimism.

But overall, each manufacturer still reserves his right to strategic freedom. While ICL and Siemens remain faithful to their integration into the

...net, Bull will not soon reconsider its alliance with Honeywell. Each firm, in a very pragmatic way, seeks new partners in fields in which specialization plays a growing role. Olivetti, for its part, is today only seeking a Japanese or American partner (AT&T is particularly mentioned) to succeed a portion of its French stock holders.

The agreements to be concluded in Europe in 1964 will show to what extent European cooperation has a chance to succeed. On this question next year will be decisive.

1964
NO: 3515/31

DELORS CITES TRADE BALANCE GAINS, INFLATION SETBACK

Zurich NEUE ZUERCHER ZEITUNG in German 21 Oct 83 p 9

[Article by G S, Paris]

[Text] Jacques Delors who is receiving high marks from former Prime Minister Raymond Barre with--for his political image in his own camp--almost dangerous consistency, is doggedly pursuing his battle to reestablish economic equilibrium. Nothing could detract him from the path of austerity he has chosen. However, since his policies are by no means uncontroversial with the government majority despite his presidential backing, and since accomplishments, especially in combatting inflation, are not as easy to come by as hoped for, there is nothing left but to play for time and to trivialize as much as possible the price that will have to be paid for his policies: declining incomes and high unemployment. Thus, in some cases, approaching deadlines for earlier promises are being postponed and short-term goals are being modified to fit reality. In addition, there are constant pleas to believe in the longer-run prospects. Unperturbed, Delors sticks to his claim that he will be able to trim the inflation rate to 5 percent next year (end of December) and to limit the foreign trade deficit to F 7 billion.

Have the Difficulties Been Overcome?

Delors himself knows that this won't be easy. When the package of austerity measures was submitted in March, the rate of inflation was estimated at 8 percent; the 1984 budget bill, which was completed in late August, was based on 8.4 percent; early this month, the finance minister spoke in a radio broadcast of a rate below 9 percent; and after looking at the provisional figures for September (.7 percent to .8 percent), one must be grateful if the rate will be around 9 percent. However, for Delors, only the most recent quarter, for which he expects an inflation rate of 1.4 percent to 1.6 percent, counts. That would correspond to an annual inflation rate of 6 percent at the most and, in his views, give rise to hopes for a 5 percent inflation rate next year.

In explaining his optimism, which doesn't quite fit his usually somber demeanor, Delors argues that the three major reasons for the setback in this year's battle

against inflation belong to the past: the rising value of the dollar, unfavorable climatic conditions that drove up prices, and the prices of industrial goods which--in violation of existing agreements--had increased too much and have now come down in part, as a result of government intervention (see NEUE ZUERCHER ZEITUNG No 232). Icepode, the privately owned market research institute, which is closely associated with business, also believes in its forecasts that next year's rate will be 9 percent and 6 percent, respectively, and that this will slow down inflation, but most observers are correct in believing that there is no guarantee that the same "special factors" won't again mar the success of his policies next year. Thus, Gama (Groupe d'analyse macroeconomique appliquee), headed by Professor Courbis, predicts an inflation rate of 10.5 percent for 1984. In addition, it points out, there is no genuinely free pricing system in France. Without the current "price surveillance" inflation could be twice as high, according to some estimates. It is, therefore, understandable that Delors opposes for the time being a return to free pricing for industrial products that originally had been proposed for July 1, 1983. He claims France lacks the free-market experience that would permit such an abrupt transition. At the same time, he rejects with equal determination a new price freeze. Such a move, he said, would defeat his current policies to build confidence.

Nevertheless, a 9 percent rate would be a slight improvement even if one considers the "artificiality" of the inflation rate, since the 1982 rate of 9.7 percent included a four-month massive wage and price freeze. In addition, the rate of inflation has never dropped below 9 percent since 1974, and reached a high of 13.6 percent in 1980 and of 14 percent in 1981.

Test Case: Wage Policies

Wage policies will be the test of whether or not it will be possible to cure France's hereditary disease: inflation. There has been a certain restraint in recent times: while, since 1972, French wages have, as a rule, risen faster than prices, since early 1982, they practically changed in tandem with inflation--if one looks at monthly and not at hourly wages which rose indirectly due to the shorter work week. The growth rate of hourly wages declined from 18.4 percent a year ago to 10.4 percent in mid-1983. Since this year's wage policies are based on an 8 percent inflation rate, there may now be new wage demands in view of the fact that the "preservation of purchasing power" has an almost mythical value for French labor unions. In particular, it will be more difficult for the government to demand in upcoming wage negotiations, with the same persuasion as a year ago, higher wages that would be in line with inflation forecasts. Thus, President Yvon Cattaz of the Employers Association may have wanted to provide a counterweight when he alluded to a later-easily-withdrawn request for possible cutbacks in real wages.

First Trade-Balance Surplus in Two Years

But it is precisely a cutback in household and consumer incomes that forms the basis for success in his austerity policies--something Delors can't admit in public. No doubt, these policies have been a contributing factor to the extraordinary gains in foreign trade in recent months. One has to go back to August 1981, and then to March 1979, to find a trade balance surplus like the one in September. The cumulative, seasonably adjusted negative balance improved to minus F 39.76 (minus F 40.09) billion during the first nine months. Although the actual figures show a deficit of F 2.3 billion for September, this is in line with the trends toward economic recovery.

That foreign trade is doing well is not disputed by the private institutes. Icepode even believes that the deficit may be F 50 billion this year--somewhat more pessimistic than the government's estimates--and F 15 billion next year. The experts at Gama forecast a F 33 billion deficit for 1984. What seems to warrant a certain degree of hope is the fact that France was able during the first six months to expand her trade by 7 percent with the more difficult and more important EEC countries and not merely with the developing world. In addition, the data also show that France didn't only succeed in reducing her imports, but was able to expand her exports, although to a lesser degree. In this connection, Delors emphasized another advantage of price control. It prevents, he said, an excuse for the often-used, convenient practice in situations where there are supply problems of raising prices in order to keep profits constant. Now business would have to search for new markets.

Furthermore, gains at the foreign trade front do not seem to be limited to trade only, but also extend to services, as data for tourism indicate. Provisional figures show a slight balance-of-payments surplus of F .9 billion. However, "victory" is by no means assured: if it should prove impossible to get a handle on inflation and thereby reduce the inflation differentials with major trading partners, this is bound to lead sooner or later to setbacks in trade with foreign countries, he said.

The Patience of Labor Unions

While it is unlikely that Delors is influenced by adverse inflation and foreign trade data and stubbornly stresses the medium-term prospects, he tries very hard not to mention unemployment and national income. Understandably, it is better not to talk about the price before the hoped-for accomplishments have been achieved. Icepode expects a 3 percent decline in the consumption of private households during the current year, and next year a decline in demand for domestic goods by .4 percent, a lowering of the savings rate to 14.6 percent (1982: 15.3 percent) during this year and 13.7 percent in 1984, and a 6.5 percent drop in investments between 1982 and next year. Gama is somewhat less pessimistic with respect to the demand for domestic products, but its skepticism in regard to foreign trade is reason to believe that the GNP will decline by 1.1 percent next year. For the Rue de Rivoli, the traffic lights for next year are generally on green: a 1 percent increase in the GNP, a slight expansion of consumption, investments and profits. However, the estimates in the 1984 budget bill do not provide any unemployment estimates. Icepode estimates a loss of 320,000 jobs by the end of 1984; Gama forecasts that there will be roughly 350,000 unemployed.

The finance minister's defense is that it wouldn't be cyclical unemployment that might rise but structural unemployment. Therefore, increased unemployment wouldn't be the price for Delors' austerity policies but for industrial modernization and structural change which, he believes, should be delayed less than until now by the artificial resuscitation of individual enterprises. These are harsh words for the labor unions and the government majority's left wing. Whether Delors' cyclical policy can be carried to its distant goal will, therefore, also depend on the extent to which they are prepared to swallow the bitter pills in the area of incomes and employment.

GOVERNMENT SUBSIDIZES ELECTRONICS INDUSTRY R & D

Paris ELECTRONIQUE ACTUALITES in French 9 Sep 83 pp 1, 3

[Article by D. Levy]

[Text] During a press conference in Paris on 1 September M Gallois, permanent undersecretary for industry, and M Martbach, director of ANVAR [National Agency for Implementation of Research], announced the setting up of the Industrial Modernization Fund (FIM). With Fr 3 billion at its disposal in 1983 and at least 5 billion in 1984, FIM's action will take the form of participative loans at low interest rates (9.75 percent in 1983) and lease-credit cooperation. It is intended to finance modernization of enterprises, particularly those of small or medium size, and to develop coming technologies. Electronics appears to be a major FIM beneficiary, since installation of high technology equipment, such as office automation, punched cards, and microcomputers are among the principal sectors concerned in the operation.

In explaining the FIM, which has been in operation since 1 September, M Gallois emphasized two of its principal characteristics: quick action, and flexibility. Indeed, once a complete case file has been submitted to ANVAR, notification of its decision will follow within 8 weeks or less. The financial institution charged with setting up the loan will then offer the enterprise a contract within two weeks or less.

FIM's flexibility defines the field of application concerned and the profile of enterprises which could benefit from loans. We note first that FIM's functions concern two types of complementary action: modernization of manufacturing processes (particularly through purchases of equipment), and modernization of inventory (through development of new products). Hence FIM's operations will give priority to installation in enterprises of high technology machinery and equipment, to development of office automation and punched cards, microtechnologies, equipment of educational and training facilities with microcomputers, and to perfecting of highly fuel efficient vehicles.

Raising the Technological Level

All enterprises in the industrial or tertiary industrial sectors, including research and development, whatever their size or legal form, will be eligible for FIM assistance, provided they are competitive, have possibilities for development, and are financially viable, but FIM will not be "a bail-out window for enterprises in trouble," M Gallois emphasized. It is also desirable that requests should concern projects for industrial modernization or innovation leading to a rise in the technological level of the beneficiary enterprise, or of its products.

The limit of financing could exceed material and intangible investments, including development and research expenditures, and extend to expenditures relating to patent and license negotiations for acquisition of a particular technology.

Two procedures for processing of loan applications have been defined: for loans under Fr 5 million, case files are to be submitted to the ANVAR regional delegate; for those exceeding Fr 5 million, investigation of applications is the responsibility of ANVAR's director general. FIM's endowment will come from the industrial savings account book known as CODEVI (Industrial Development Account).

FIM will thus operate with the same orientation as CODIS [Committee for Development of Strategic Industries], which will dissolve after two meetings in late September and October to settle current business. There will not, however, be complete coincidence of functions. So office automation, for which CODIS had distributed, very unevenly, funds which went from Fr 1.5 billion to Fr 300 million from one year to the next, will go to FIM, but loans relating to energy conservation will come under AFME [French Energy Control Agency].

6145

CSO: 3519/30

BRIEFS

SOUTH AFRICAN MINE EQUIPMENT--The newly formed marketing arm of AG Engineering, Millage Engineering, has recently received an order for the export of spares to a remote Greek asbestos mine. This is one of the first orders Millage has received following its formation after 50 percent of AG Engineering was purchased by Mill & Industrial Services. Much of the equipment at the mine, which is situated on the Yugoslavian border near Thessaloniki, was originally supplied by AG Equipment when it was built three years ago. The mine handles around 100 000 tons of ore a year, making it one of the biggest asbestos mining operations in Western Europe. At the time of the original order it was classified as the largest export order of its kind for a South African engineering undertaking. AG Equipment supplied all the screens for the mine and 36 Torrey mills. [Text] [Johannesburg MINING WEEK in English 19 Oct 83 p 2]

CSO: 3500/3

UNION, MANAGEMENT OPPOSITION TO SOARES DESPITE IMF LOAN

Madrid EL PAIS in Spanish 14 Oct 83 p 54

[Article by Nicole Guardiola: "Strong Opposition to Economic Policy of Portuguese Government"]

[Text] Unions and management are opposed to the economic, financial and social policies of the Portuguese Government. Mario Soares' satisfaction at the successful conclusion of the negotiations with the IMF and with the new private bank consortium for the granting of new loans to Portugal of an overall value of \$685 million contrasts with the increasing volume of union and management accusations.

For the unions, the crucial problem is employment. The Government has just approved the Temporary Work Contract Suspension project, modestly disguised by the English expression "lay off." For opposite reasons, unions and owners say they are convinced that it involves an underhanded way of reducing payrolls, really the "antechamber of dismissal," much worse and more onerous, from the management viewpoint, than dismissal.

"Lay off" victims are guaranteed two-thirds base salary payment for 2 years, underwritten equally by the business and the National Unemployment Fund.

For the Confederation of Portuguese Industry, the measure, which may favor large public enterprises and some multinationals in Portugal, does not allow a fundamental attack on the problem of a return to economic health and the redirection of businesses and threatens to stimulate further the development of the so-called "underground economy," with the total fragmentation of the labor market, already substantially favorable to "clandestine businesses."

In civil construction, and now in some textiles, clothing and metallurgical sectors, empresarios proliferate who make available occasional work or work out of the home for the "semi-employed": workers officially on the payroll of businesses which suspended work without filing for bankruptcy and future beneficiaries of the "lay off."

Defrauding the tax collectors and with their payroll obligations covered by the businesses in whose names the workers they employ continue to appear, these businesses realize large profits which escape all official control.

The prospect of 500,000 potential beneficiaries of "lay off" until the end of 1984 also frightens the union headquarters, which cannot ignore the panic currently blowing among the ranks of salaried Portuguese workers and the climate of every man for himself which threatens to take hold of the up to now better organized sectors.

Rejection of Socialist Headquarters

The UGT (Socialist-Social Democratic), in principle more receptive to arguments of the government, has just aligned its position of rejecting the "lay off" with the more radical positions of the CGT, of the communist majority.

Prudently, the CGT awaits the results of the demonstrations scheduled for Saturday October 15 in order to establish its war plans: it does not wish to risk a trial of strength in the already daring form of a national general strike without taking the pulse of worker combativeness. The communist unionists are convinced that their initiatives will have massive support in the tertiary sector and among public functionaries, but they are worried about the evident panic among factory operators. If the response to the 15 October meeting turns out to be inconclusive, it is likely that political considerations will prevail over labor considerations among union staffs.

12372

CSO: 3548/44

POLITICAL POLARIZATION RESULTING FROM 'FUND' BATTLE

Palme on Opposition's Stand

Stockholm DAGENS NYHETER in Swedish 29 Sep 83 p 2

[Article by Olof Palme, Prime Minister of Sweden]

[Text] It is almost grotesque to assert that the present, limited proposal would totally eliminate all individual ownership of companies. It is impossible to find any statement by any member of the Social Democratic government or by the Social Democratic Party Congress to support this claim. This is Olof Palme's answer to an article published by five business organizations in DAGENS NYHETER of 23 September.

It is saddening to read the DAGENS NYHETER article written by the five organizations that rejected the government's invitation to discussions.

They assert--collectively--that the invitation applied only to the technical details of the wage-earner funds.

This simply is not true.

First of all, the invitation included several important economic and political questions that the government wanted to discuss:

Reform of corporate taxes.

How a popularly supported and collectively shaped venture capital could complement the present supply of venture capital.

Other methods for building up and broadening the supply of capital, for example how households could become engaged in stock purchases.

The special problems of small and medium-sized companies in the areas of capital and taxation.

Tax measures to facilitate the mobility of risk-bearing capital.

A functional regulatory system for the Swedish stock market.

Secondly, we obviously could not limit the discussions to the details of the wage earner funds. We fully understood that arguments for and against the wage-earner funds would be an important part of the discussions. Such discussions could have led to compromises.

This also was clear from the wording of the invitation. I closed the letter of invitation with the following words:

"With this in mind, the government invites you to participate in negotiations over the need for joint action and broad involvement to strengthen the long-term prospects of Swedish business and to discuss concrete measures toward this end. It is the government's sincere hope that a constructive exchange of ideas can be achieved."

"The government believes that wage-earner funds are an important part of the effort to lead Sweden out of the present economic crisis. The government would like to stress its desire to show openness in these questions and take into consideration the views of others."

"For this reason, the government would like to use the negotiations to learn your views on the studies that have been undertaken and hear your proposals for other measures for the long-term development of Swedish business. Thus, the negotiations should take up all the questions indicated above."

In actuality, SAF (Swedish Employers' Confederation) and the other business organizations have stipulated that, for them to participate in the negotiations with the government, they alone must decide which issues will be discussed. The government offered the invited organizations every opportunity to present their views on how we in Sweden should develop our system of industry and commerce. But SAF and the others presented an ultimatum. Their message was that the representatives of business were prepared to negotiate only if the government would refrain from presenting its views on the wage-earner funds. Anyone who considers this ultimatum will see that it is unreasonable for the government not to present all its ideas on how to solve the economic problems of Sweden.

The organizations also collectively stated that business could not "negotiate the contents of a proposal whose ultimate goal was to gradually replace the private ownership of companies." The purpose of this statement must be to create the illusion that our proposal would totally eliminate all individual ownership of companies.

It is almost grotesque to base such assertions on the limited proposal we are making. Nor is it possible to find any statement by any Social Democratic member of the government or by the Social Democratic Party Congress that would corroborate this claim. The purpose must be to use simplified assertions to create a posture of confrontation within the membership of these organizations.

I believe we have fully understood the sad message from SAF: "We reject all

compromise. We demand that the Social Democrats submit to us."

I believe they have underestimated the determination of the Social Democrats in such situations.

These recent events are an unfortunate deviation from the fine Swedish tradition of negotiations, even when we hold differing opinions.

Government Now Only Represents Union

Stockholm DAGENS NYHETER in Swedish 2 Oct 83 p 8

[Commentary by Sven Svensson]

[Text] The election of Bengt Westerberg as the new Liberal Party leader is an important crossroads in Swedish politics. For the first time during the entire post-war period the Social Democrats have no one to talk to on the nonsocialist side. The Palme government is becoming an LO (Federation of Trade Unions) government.

First there was the agreement between Tage Erlander and Gunnar Hedlund. This resulted in the near-eradication of what was then the Farmers' Alliance from the political picture.

In the late 1950's the Farmers' Alliance became the Center Party and its recovery began with the ATP (General Supplementary Pension System) issue.

Nevertheless, Tage Erlander and Gunnar Hedlund maintained their political relations like old friends. These relations did not break down totally until the early 1970's when Thorbjorn Falldin took over. Now Falldin no longer wants to talk with Palme.

With the transition to the one-chamber parliament, the Liberal Party was prepared to reach political agreements with the Social Democrats. Gunnar Helen had his Haga agreement and Ola Ullsten continued in approximately the same vein.

The Liberal Party suffered about the same fate as the Farmers' Alliance. The Liberal Party was left out of the political picture because of its contacts with the Social Democrats.

Now we have gone full circle. Bengt Westerberg was elected Liberal Party leader and solemnly named the Social Democrats as the main opponent of his party.

Things must seem a bit grim for Olof Palme, as leader of the Social Democratic minority government.

His handling of the tax question has destroyed much of his credibility. The middle parties want to have nothing to do with Palme.

But the Social Democrats have only themselves to blame. They never accepted the fact that the other party in a political settlement must have a chance to survive.

The next step for Palme is to convince TCO (Central Organization of Salaried Employees National Government Civil Servants Section) to further undermine the tax agreement, primarily in favor of LO.

Then TCO will face the same fate as the Farmers' Alliance and the Liberal Party in the past--there will be no more TCO. The battle over the wage-earner funds probably is more than TCO can handle.

The remaining figure on the political scene is Ulf Adelsohn, head of the Conservative Party. Palme and Adelsohn seemed to get along well the other day when they met at Rosenbad. And Adelsohn did jump out the window, as he had promised, when Palme started discussing the wage-earner funds.

But this is probably a false alarm. Adelsohn will certainly run for his life rather than take the political responsibility for cutbacks and other unpleasanties along with Palme. This would be too frightening. Just ask Falldin and Ullsten.

Only LO and perhaps Lars Werner remain as supporting troops. But the Social Democrats will not win any elections with the support of LO alone.

SDP Secretary Pledges 'Fund Offensive'

Stockholm DAGENS NYHETER in Swedish 6 Oct 83 p 6

[Article by Thorwald Olsson]

[Text] "We are opening a broad counteroffensive for the wage-earner funds. The entire movement will be mobilized once Finance Minister Kjell-Olof Feldt has presented the final fund proposal to the Law Council on 13 October."

"We will put much more than 1 million kronor into our campaign to dispel SAF's most sinister horror stories. Knowledge of the funds' actual structure and their desired effect must be increased--especially among workers."

Bo Thoreson, party secretary and strategist of the Social Democratic Party, told this to DAGENS NYHETER. He made these statements the day after the demonstration by Swedish business organizations.

Bo Thoreson looks quite calm when he talks about the "strategy of the movement" at the Social Democrats' extremely spacious parliamentary headquarters at the old Finance Ministry in Old Town.

"I am calm because the criticism aimed at us in the debate was anticipated back when we adopted our plan of action after the election victory last fall," he said. "After about 1 year in power, we expected people's expectations to rise automatically to new heights."

"We also knew that SAF and the nonsocialist parties would attack the funds. I must admit, however, that we were a bit surprised that so many nonsocialist voters joined the demonstration against the funds in Stockholm last Tuesday."

Additional Proof

"The Conservative Party clearly convinced many to come to the demonstration."

The demonstration against the funds was additional proof of the total confrontation with the business world, all of whose organizations rejected Prime Minister Olof Palme's invitation to "discussions" over the issue.

In addition, the Social Democrats have been attacked recently for betraying pensioners (totally index-based pensions) and for derailing the tax settlement with the middle parties. The list could be made longer.

Bo Thoresson seemed to have heard this criticism before:

"We cannot argue with the criticism of our letting pensioners down," he said. "We can only appeal to pensioners for their understanding and I doubt that their views will support the business organizations' rejection of our invitation."

"The pensioners I have met, almost without exception, have said that they, like other groups, are prepared to make certain sacrifices to help Sweden out of its deep economic crisis.

Must Live Up

The funds, employment, the distribution of wealth, and the battle against inflation are the major issues on which the credibility of the government will be judged, according to Thoresson:

"We simply must live up to our promise to establish the funds. It also is important for us to do this in November, when the proposal is presented to parliament."

There is little time: Before the 1985 elections the boards appointed by the government for the five funds must do such a good job that most of the criticism will have been allayed.

Bo Thoresson said that SAF's powerful campaign against the funds could malign them unnecessarily.

Attention

"Many small business owners will soon discover that this does not apply to them. Increased ATP payments, which they certainly would have to accept in any event, could be all that affects them. When they realize this, they probably will accept the funds.

Major issues such as employment and the economic crisis have attracted most of the attention of the government and the party since the election victory, according to Thoresson.

"We have not managed to penetrate SAF's 'Berlin Wall' with our information on the actual nature and effect of the funds," the party secretary said. "But things will be different now, as we begin to establish the funds and increase economic democracy."

We can expect more surprises during the fall debate, according to Bo Thoresson. "In order to follow up our devaluation with antiinflationary measures--a maximum of 4 percent is our goal--we must take strong steps to reduce the budget deficit."

"Work on the budget will be rough, mark my words, and there will be an outcry from those who feel they have been hardest hit."

Feldt Formally Submits Proposal

Stockholm DAGENS NYHETER in Swedish 14 Oct 83 p 3

[Article by Dick Ljungberg]

[Text] Last Thursday, after 12 years of debate and nine different drafts from LO and the Social Democrats, Finance Minister Kjell-Olof Feldt presented a finished proposal on the introduction of wage-earner funds beginning in 1984.

The motives behind the different fund plans have varied. At one time they described a gradual takeover of industry and commerce. The finished proposal shows much more restraint.

Feldt emphasized again and again at the press conference that the funds would be limited in time and space.

400 Million Per Year

The boards of the five funds would receive a maximum of 400 million kronor annually until 1990. At that time, no more money would be pumped into the system, which then would be evaluated. The funds would not be permitted to achieve majority control of any company.

"In order for us to achieve our unique political goal of establishing both economic balance and full employment, we must have a long period of high profits in business," Feldt said. "Wage earners will accept this only if they receive a share of the profits through wage-earner funds."

Some have depicted the funds as the solution to the problem of power concentration within the economy. But the funds can be only one element of this solution. Other elements are the tax system, codetermination, and education.

"In the recent lively debate, we have been called on to give up the idea of wage-earner funds. In exchange, business and the nonsocialist parties have told us they would offer broad cooperation on economic issues," Feldt said.

Considered

"We have considered this offer carefully, but declined it. Our opponents have presented no alternatives. They have merely demanded unconditional surrender. If we put the funds aside, we would probably just whet the appetite of business for new demands."

"Anyone who negotiates through ultimatums probably will be suspected by his opponent of misrepresenting his true purposes," Feldt said.

P. O. Edin's fund proposal last summer stated that one or more funds would not be permitted to own more than 49 percent of the voting power of any company listed on the stock exchange. This now has been changed, so that no fund can own more than 8 percent of a given company.

"We accepted the criticism indicating that the 49-percent rule could lead to cooperation between funds. The opposite actually is the purpose, namely that the funds should act as independently as possible," Feldt explained.

A special small business fund of 100 million kronor will be established. This was decided after small businessmen criticized the proposal, saying that they had little chance of receiving capital from the funds, even though they would contribute to the funds.

Appointed By Government

One controversial question is how the fund boards will be appointed. Present plans are for the government to appoint them, but a study is being undertaken to explore the possibility of direct elections, not only for the five new fund boards, but also for the four old boards within the AP system.

Critics contend that the fund boards could set aside part of their capital to bail out crisis-ridden companies in their region.

"That is not our purpose," Feldt said, "but the funds have the same responsibility as other major shareholders to help a company in crisis if they own stock in that company."

What differences will ordinary citizens see when the wage-earner funds are introduced next year?

"It will take time before we see the direct relationship between a certain investment and a certain number of new jobs," Feldt answered. "But it may be possible to see an increased number of people involved in trying to help the Swedish economy."

"I believe that some of the chaotic activity at the stock market could be changed into serious involvement in the companies. The funds could help finance operations that otherwise would be difficult to carry out. In addition, wage earners will be present at stockholders' meetings--unlike what occurred at the Kinnevik meeting."

The fund proposal now being examined by the Law Council (a judicial examination) is based primarily on the proposal presented last June by P. O. Edin. Its final presentation to parliament will occur around 10 November and the fund system will be established next year.

A broad outline of the proposal is presented in the figure below. Five new fund boards will be established within the framework of the general pension fund. The government will appoint the nine members of the boards. At least five of these members will be wage earners. The boards will have regional ties, be independent of one another, and each will have its own headquarters.

There will be a fund board for Northern Sweden, Central Sweden will be divided into two regions, and Western and Southern Sweden each will comprise one region.

The primary task of the wage-earner funds will be to purchase shares in companies involved in production, but they also may lend money to coops, small businesses, etc.

One new feature is that a separate fund will be established for financing small businesses. It will receive an initial capital of 100 million kronor and be affiliated with the investment bank.

400 Million Maximum

The funds will receive a maximum of 400 million kronor each to invest, i.e. 2 billion kronor annually until 1990. This will be financed by profit sharing and a special 0.2-percent ATP fee.

The profit sharing will be a special tax on corporations, coops, savings banks, and some insurance companies. Inflation and other factors will be considered in calculating the tax base.

Low profits will be exempt from taxation, however. Either 500,000 kronor or 6 percent of a company's wage costs will be deducted when the tax levels are calculated.

The profits tax will be 20 percent of the base amount and may be deducted from next year's taxes.

High Returns

The funds shall administer the capital in such a way as to provide high returns, long-range planning, and a spreading of the risk, according to the

Fem regionala löntagarfonder

2) Nordfond



3) Mittfond



4) Östfond



5) Västfond



6) Sydfond



Styrelse



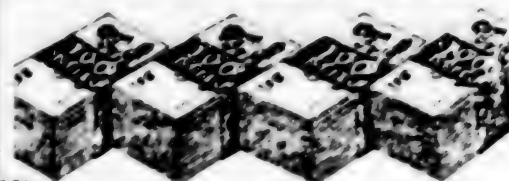
7) Regeringen utser fem löntagarrepresentanter plus

8)



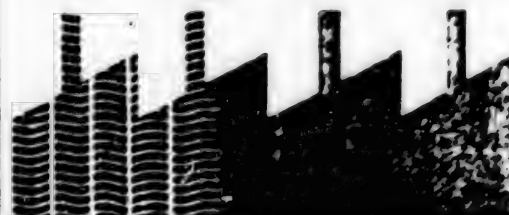
fyra andra ledamöter i varje fonds styrelse

Pengar



10) Varje fond tillförs varje år högst 400 milj kr genom vinstdelning och löneavgift

Agander



12) De inströmmande medlen skall placeras i svenska företag. Varje fond får äga högst 8 proc av röstvärdet i ett företag. Avkastningskravet på varje fond är 3 proc.

Makt

14) Sitt ägarinflyande skall löntagarfonderna och de lokala facken utöva på bolagsstämmorna.

Överblivna pengar

16) De pengar som löntagarfonden inte placerar förväntas under tiden av första, andra och tredje

AP

fonden. Dit förs också avkastningen på aktierna som går till pensionsystemet

Key to figure:

1. Five regional wage-earner funds
2. Northern fund
3. Central fund
4. Eastern fund
5. Western fund
6. Southern fund
7. Board
8. Government appoints five wage-earner representatives plus four other members to the board of each fund
9. Money
10. Each fund will receive a maximum of 400 million kronor annually from profit sharing and payroll taxes
11. Ownership
12. The incoming revenues will be invested in Swedish companies. No fund may own more than 8 percent of the voting power in a given company. Yield requirements on each fund are 3 percent.
13. Power
14. The wage-earner funds and the local labor organizations will exercise their power at stockholders' meetings.
15. Surplus money
16. Money not invested by the wage-earner funds will be administered temporarily by the first, second, and third AP funds. Stock dividends also will go to the AP funds to be used by the pension system.

proposal. Each year the wage-earner funds will pay the AP pension fund 3 percent of their actual rate of return, i.e. based on their capital, adjusted for inflation.

According to previous plans, one or more of the funds would be permitted to own no more than 49 percent of the voting power in a given company. According to the new proposal, no fund will be permitted to own more than 8 percent of any company listed on the stock exchange.

If all five funds purchase the maximum 8 percent of a company, then together they would own 40 percent. In addition, the fourth AP fund could purchase 10 percent, but this is seen as only a theoretical possibility.

If the local labor organizations in a company so request, the board of a wage-earner fund must transfer to those organizations 50 percent of the voting power held by the board as a result of its purchase of stock in that company.

Business, Political Leaders Comment

Stockholm DAGENS NYHETER in Swedish 14 Oct 83 p 3

[Article by Sven Svensson]

[Text] Ingemar Essen, executive vice-president of SHIO (Swedish Federation of Crafts and Small and Medium-Sized Industries)-Association of Family Enterprises:

"This is a change for the worse. Now the funds can acquire up to 50 percent of a company. They have abandoned the previous proposal limiting ownership to 49.9 percent."

"Concerning the special 100 million kronor fund for financing small businesses, I would like to say that there is no shortage of funds available for loans. The problem is that there is little willingness to invest. I am amazed that they have not discarded the proposal, in the interest of our country, after seeing how it will affect investments."

"Capital will be transferred from smaller companies to larger companies that are listed at the stock exchange by way of the funds. This is why small businesses are so opposed to the funds."

Lars Nabseth, executive vice-president of the Federation of Swedish Industries:

"It is highly regrettable that the government has decided to push its proposal through parliament, contrary to the wishes of the public in general and of private business."

"This proposal contains only minor adjustments. The basic principles are the same."

"In its new proposal the government states that the regional funds may control a maximum of 8 percent of the voting power within a company. But there are five regional funds and anyone who knows his multiplication tables knows that five times eight equals 40. Thus, 40-percent ownership is within the realm of possibility. This could give the funds a dominant position within many companies listed at the stock exchange."

Curt Nicolin, chairman of SAF (Swedish Employers' Confederation):

"The changes contained in the present proposal are insignificant."

"The proposal states that efforts to develop economic democracy will continue in other ways. But they have said all along that this would be a major reform in economic democracy. Why are they making this proposal if they reject the argument that it is a major economic reform?"

"I also see the proposal to create a fund for small businesses as an empty, meaningless gesture."

"I do not want collective wage-earner funds and these marginal changes do not alter my overall opinion."

Bo Sillen, executive vice-president of the National Association for Private Enterprise:

"Only minor adjustments have been made. They are only cosmetic changes that do not alter our basic position. It is wrong to take this step, which actually is supported only by some activists within LO and the party."

"The government is marching on with great resolve toward what eventually must certainly be a defeat. It is unique in the modern history of Sweden that a government has made a proposal with so little support among the people."

The government's fund proposal is an open declaration of war against the entire Swedish people, the nonsocialist camp, and Swedish business. This was stated by Conservative Party leader Ulf Adelsohn.

Meldner's proposal, i.e. that the labor unions gradually take over businesses, remains intact. The recent cosmetic changes fail to alter anything in this matter.

Talk about compromise has been a smoke screen. This was indicated especially by the farcical manner in which the proposal was circulated this past summer for consideration by the bodies concerned. Many of the bodies involved have had too little time to answer. The prime minister's promise that no more money would be poured into the funds after 1990 lacks all credibility.

"With today's proposal, the Palme government has demonstrated its total lack of feeling for the wishes of the majority. The majority of the people want to

continue a positive development of our society on the basis of a market economy," vice-chairman Karin Soder of the Center Party said.

"The many changes in the original proposal demonstrate the inherent weakness of its basic idea. If the wage-earner fund proposal is carried out, our society will lose the main prerequisite for solving the countries problems--personal initiative and personal involvement must characterize our production and enterprise."

Bengt Westerberg (Liberal Party) said:

"The so-called small business fund is an empty gesture made primarily to Palme's tennis partner Harry Schein. Even 8 percent per fund is a high figure, since ownership can be coordinated by a trade union majority."

The opinion polls show that there is a clear majority against the fund proposal, according to KDS (Christian Democratic Party). Since parliament is incapable of dealing with the issue, the only reasonable thing to do is for the politicians to turn to the people in a referendum.

"It is good that the government has made a fund proposal," VPK (Left Party Communists) leader Lars Werner said. "But the proposal cannot break the power of big-time finance, strengthen the influence of wage earners, or create new jobs," he said.

VPK will work in parliament to radicalize the proposal. The primary concern is for the funds to be based on economic and regional considerations, rather than the profit interests of private capitalism.

Debate on Fund Proposed

Stockholm DAGENS NYHETER in Swedish 14 Oct 83 p 3

[Text] The Social Democrats and the Conservatives have agreed to hold 100 debates over the wage-earner funds between representatives of the two parties. In a reply to the Conservatives on Wednesday, Social Democratic Party secretary Bo Thoresson proposed that the debates take place on 17 November.

He believes that the theme should be "Crisis Policies and Wage-Earner Funds." In several days the time, places, participants, and other questions will be discussed by representatives of the Social Democrats and the Conservatives.

It is assumed that the two party leaders Olof Palme and Ulf Adelsohn will participate in the debates.

9336

CSO: 3650/11

MINISTRY IN REPORT FORECASTS POWER NEEDS TO YEAR 2000

Copenhagen BERLINGSKE TIDENDE in Danish 8 Oct 83 p 6

[Article by Michael Ehrenreich: "Eight Nuclear Power Plants or Twelve Coal-Fired Plants"]

[Text] There will be a need for enormous investment in Danish electric power production for the period up to the year 2000, the Energy Ministry believes, which has a very optimistic assessment of the North Sea oil fields and also leaves renewable energy sources only marginal importance for Denmark's supply of energy.

Eight nuclear power plants in the period up to the year 2020 or 12 new coal-fired heat-and-power plants. These are the alternatives for the development in coming years of Danish electric power production, which under any circumstances will require much greater investment it appears from an energy review from the Energy Ministry.

The first Danish nuclear power plant can be ready in the middle of the 1990's if in the next few years a decision is made to introduce nuclear power in Denmark. If the occasion should arise, in the year 2000 nuclear power will at most have been able to cover a fourth of total Danish electric power consumption.

If the development of Danish electric power production takes place without nuclear power, about 45 billion kroner will be used in the period up to the turn of the millenium. The majority of investments will go for production facilities, but significant development of the power line network is also required.

With nuclear power in Danish electric power production the need for investments in the rest of this century will grow to 55 billion kroner. In return, very great savings on the purchase of fuel will be able to be gained.

The Energy Ministry has a very optimistic assessment of resources in the North Sea. By the end of the 1980's the fields in the North Sea will be able to cover up to half of the Danish demand for oil. There will be natural gas for a little into the next century, and a surplus for exportation at that.

Renewable Danish energy sources have, in the opinion of the Energy Ministry, first and foremost possibilities in areas which are not covered by the heating planning system's supply of natural gas or district heating. With a targeted effort it is estimated that renewable energy sources in the year 2000 can cover between 3 and 7 percent of Denmark's total energy consumption.

Incidentally, Denmark is still first as far as energy saving is concerned among the countries cooperating in the International Energy Agency, IEA. From 1979 to the latest calculated year of 1982 total Danish energy consumption dropped 14 percent. Consumption for space heating dropped 20 percent in the same period, while consumption for production processes--except for electricity--dropped 31 percent.

Net foreign exchange debits for energy would have been about 11 billion kroner more in 1982 if consumption had been the same as in 1979, i.e., 36.7 billion kroner versus 25.8 billion kroner.

8985

CSO: 3613/11

FIRM STOPS DRILLING IN AREA DISPUTED BY SWEDEN; NO OIL

Copenhagen BERLINGSKE TIDENDE in Danish 8 Oct 83 p 1

[Article by Peter Kjelstrup: "No Oil at Hesselø"]

[Text] "The Danish Substratum Consortium's exploratory well, Hans-1, northwest of Gilleleje, which was begun on 4 August 1983, has now been concluded without finding oil or gas."

The A.P. Møller shipping company thus curtly reported this evening that one of the most discussed drilling operations in Denmark ever was bone dry. The Hans 1. [as published] drilling operation is better known by the name "the well at Hesselø."

It was undertaken in an area which Sweden believes is Swedish, for which reason Prime Minister Olof Palme began a real campaign to have the drilling stopped. It developed into a war of words and proclamations between Olof Palme and Poul Schlüter the like of which has not been seen in recent times.

There is much to indicate now that the result of the drilling was so discouraging that for the time being there will be no more drilling in the area--with or without clarification of drawing of the border. The Maersk Eksplorer drilling rig, which undertook the drilling, is sailing to Esbjerg, where it is to remain until there perhaps again is work for it; it has been characterized as the world's largest rig of its type.

It has been working without a break in the Danish part of the North Sea since 1967, where it drilled the Anne 2 test well the year after the Anne field had been discovered.

This was the first find that had been made at all in the North Sea.

According to a completely new estimate, the three oil fields which have been put into production, Dan, Gorm and Skjold, produced 185,000 tons of oil in August alone.

8985

CSO: 3613/11

MERLIN GERIN PROGRAMS ENERGY DISTRIBUTION SYSTEMS

Paris ELECTRONIQUE ACTUALITES in French 9 Sep 83 p 4

[Article by J. A. Bossard]

[Text] Grenoble--Merlin Gerin has already completed a good many installations in rather varied fields such as the maritime industry, basic or processing industries, and collective heating plants intended for large building complexes. A specialized team attacked the problem of improving management of energy distribution in relation to the capacity of energy sources and to commitments under contracts signed. And since the team's effort is related to all the rest of the firm's activities, it does not lose sight of the fact that good management also means perfect control of that energy which is the *raison d'être* of all its activities.

Merlin Gerin's solution to problems of energy distribution from available sources consists essentially of using programmable robots such as the PB 100 or PB 300, which have been used experimentally in many other cases. A robot which can adapt to all sorts of configurations, centralized or dispersed, and based on fuel or electricity, thereby combines the functions of schedule programming, ballast control, startup optimizing, regulation, combinative or sequential logic, and consignment of varied states. The builder presents it as a simple solution which obviates the high cost of installations based on calculators. Alarm signals can, however, be centralized and recorded on a printer, thus avoiding the need for constant monitoring. In addition, transmission at a distance by paired telephones allows for sending of data and receipt of directions. Moreover, the robot which provides annual programming, allowing for a one-time programming of all holidays, can control a great number of machines--up to 2,000. From this it is easy, without tiresome enumeration, to imagine the total of control operations performed. We simply recall that the optimizing function consists in certain cases of calculating each day the time for starting preheating in order to attain normal temperature for the premises at the time desired. But many other configurations are possible.

Some examples will clarify these ideas: On board a ship carrying liquefied gas, the CNV's Floreal powered by a 22,400 hp diesel, Merlin Gerin has installed two PB 300 robots adapted to marine climate. Its task is the constant measurement of power output, and its distribution to the six alternators according to their individual needs. This involves machine powered from various sources: turbo regenerators, linkage to the drive shaft, or independent diesels ranging from 600 to 1,300 kva. The first robot takes charge of distribution and makes necessary adjustments by taking the necessary action in the event of partial breakdowns or blackouts. The second robot centralizes data concerning the propulsion engine, alternators, current loads, and the cargo, which naturally may have occasion to generate alarms.

At the Allevard steel mills, which produce a large part of their electricity with eight hydroelectric groups totaling 27 MW in output, and obtain the balance of their needs from the EDF [French Electricity] net, generators are started according to need and furnaces are shut down and started up in accordance with the most favorable cost factors. Two PB 300's calculate the quantities of energy to be produced, bought from the net, or sold to it. At the same time they provide for regulation of generating groups and recording of statistical curves, taking into account the water level in the reservoir, and also meteorological conditions. Teletransmission between the two robots is accomplished over a distance of 12 km by means of the 63 kv line linking the power station to the steel mill.

At Thomson-Efcis, where the manufacture of integrated circuits requires continuous service with two 1-MVA diesel generating groups, a PB 300 provides for power adjustments with stop-start control of 80 terminals distributed over four sets of bars, of which two have priority with consignment of defects. The groups operate as emergency supply sources, to level off peak demand under the terms of the EDF contract, or in isolation in the event of announced atmospheric disturbances, either autonomously or at the first micro cutoff.

In Rheims and the adjoining region a system provides centralized monitoring of 16 collective heating plants by controlling adjustment of boilers and fuel supply. Each heating plant has a PB 100 which records values indicated by different pickups and transmits them to the control center by telephone. The control center is equipped with a PB 300 which calculates the quantity of energy needed to maintain a desired temperature, in relation to outside temperature and various constants. The list of malfunctions is communicated to duty personnel by means of a transmitter which connects to any telephone line.

Thus we see from the account of these few cases that energy management can take very diverse forms, though they all come down to the common denominator of matching, in accordance with a well-defined program, the different energy needs of an installation with the most economical or the best adapted sources in relation to daily or hourly operating schedules planned. At Merlin

Gerin they add that a complete installation of that kind must be designed to permit perfect adaptation to the imperatives defined by various energy sources, with consequent maximum avoidance of hazards.

6145

CSO: 3519/30

LABOR ORGAN HITS DENIAL OF STATOIL FOREIGN-DRILLING REQUEST

Oslo ARBEIDERBLADET in Norwegian 3 Oct 83 p 4

[Editorial: "Contrary to Reason"]

[Text] Minister of Oil and Energy Kåre Kristiansen has put a stoppage to Statoil's wishes to engage in explorations in the Danish part of the continental shelf. At the same time, the state-owned oil company has been informed that, at the moment, it may not participate either in the oil activities on the Chinese shelf.

In our opinion, the positions taken by the cabinet minister, the ministry, and, in the last instance, the Willoch government in this matter are sensational. Be that as it may that the non-socialist government has all the time presented a threat to Statoil, but acting contrary to clear national interests is, in our opinion, a little too much.

It is a fact that Statoil has solved all the tasks with which it has been entrusted in a fully satisfactory manner. If the management of the company finds that the company is ready to undertake tasks also outside the borders of Norway, there is every reason to assume that this is based on a realistic evaluation. Statoil has vast experience when it comes to off-shore oil drilling activities. The company has shown that it has gathered sufficient competence to plan and develop such a field. There is no doubt that the company has got the knowledge and the capacity also to involve itself outside the borders of the country. Minister of Oil and Energy Kåre Kristiansen actually gives expression to a profound lack of confidence in the management of Statoil in rejecting the company's request for involvement abroad on the grounds, among others, that this country is still faced with "vast and important tasks both with regard to management, development and transport." There is no doubt that Statoil is familiar with the tasks awaiting it here in this country, and that the company is prepared to become fully involved also in these.

The involvement in the Danish shelf appears to us as a direct continuation of the work in which Statoil has participated in the Norwegian part of the continental shelf. The conditions for participation from the start in this neighboring area will, of course, have to be the very best ones, as far as Statoil is concerned. It is also interesting to have an expanded cooperation on a Nordic basis. It, therefore, is incomprehensible that the government rejects participation on the part of Statoil when the deadline for application for concession expires on 10 October.

Also when it comes to involvement in the Chinese shelf, Statoil has very special reasons for participation. For quite some time, the Norwegian state-owned company has acted as advisers to the Chinese on oil issues. This has also enabled the Norwegian trades and industries to gain more foothold in China. Statoil has now been requested directly by the Chinese oil minister to participate in oil exploration in the Chinese shelf. This is one of the most interesting oil fields in the world today, probably the most interesting of all oil fields. Oil companies from all over the world are queuing up for participation in the oil exploration. Statoil has been invited to participate, but the Norwegian authorities decline the offer. One can hardly believe it to be true. We fully understand Statoil director Arve Johnsen when he talks about bans on the activities of the state-owned oil company and that he feels dejected on account of the way in which the company is treated. The worst thing, however, is that time is running out on us. It is now that we have got the opportunity to participate in Danish territory, and it is now that we may participate in the Chinese shelf.

The commitments of Statoil abroad are not merely a question of the oil company's possibilities of expansion. They are important--one may very well say decisive--for large sections of the mining industry. It has always been Statoil's policy to help the rest of the Norwegian trades and industries obtain contracts and tasks in connection with oil production. This has given vast results for the Norwegian trades and industries. There is no doubt that Statoil involvement also outside Norwegian territory will open up considerable possibilities of export for Norwegian industry, not least the iron and steel industry. It, therefore, is a question of contracts which may contribute to ensuring a high rate of employment in the years to come. It is not without reason that the Norwegian labor movement as well as the Federation of Norwegian Industries and the Norwegian Association of Engineering Plants support the desire on the part of Statoil to become involved in oil exploration in other countries and other continents. But it is no great help when the political authorities fail to see the perspectives and deny the foreign drilling requests. Even if it is completely irrational.

7262

CSO: 3639/13

STATOIL, PRIVATE FIRM COMPETE FOR RIGHTS IN OIL FIELD

Oslo AFTENPOSTEN in Norwegian 13 Oct 83 p 20

[Article by Bjørn H. Tretvoll]

[Text] The question of how to bring the oil from Oseberg and other fields in the northern part of the North Sea ashore is developing into a new tug-of-war between Norsk Hydro and Statoil. The question of how to connect the pipelines from each individual field to a main pipeline, if any, and the question which of the two companies will be in charge of the operation of the planned transport system are among the major matters at issue.

The two companies do not agree either on the terminal solution to be chosen on land. Hydro, moreover, gives expression to a certain amount of skepticism with regard to the question whether, from the point of view of the risks involved, it is sensible to bring the oil from all the fields in this part of the North Sea ashore in one pipeline.

Main Pipeline

Statoil has presented its alternative, the main pipeline "Gullpipe," to local and central authorities. The said pipeline will, in the first instance, cover the need for taking ashore the oil from Oseberg, Gullfaks and Troll. Later on, other fields which it may be possible to develop in the area, such as the Saga find in the 34/4 and 34/7 blocks, the Huldra field in the 30/2-30/3 blocks, the Hild find in the 30/4-30/7 blocks and perhaps also the find in the 35 area, may possibly be incorporated in this pipeline system. A few of these finds contain mainly gas, but they, moreover, have considerable quantities of condensate, which may be transported in an oil pipeline.

The Statoil project comprises its own ascending pipeline platform for connection of the pipelines from each individual field. This platform may conceivably be placed north-east of the Oseberg field, but it is not to be part of the Oseberg project itself.

Agreement on Hjartøy

Both Statoil and Norsk Hydro want for the main pipeline to come ashore on Hjartøy in North Hordland. Hydro wants initially to place a terminal plant

there. Such a plant would handle the oil quantities produced by the Oseberg field, operated by Hydro. Statoil wants to carry on the pipeline to Mongstad and to build a major terminal there, as it does not find the said area on Hjartøy large enough for a terminal.

Hydro has, in the first instance, prepared an alternative for taking the oil from Oseberg ashore and has based its calculations on a pipeline which has been designed according to the volume which this field will produce. The company, however, stresses that it will be easy to enlarge the diameter of the pipeline to provide it with sufficient capacity to handle oil from other fields as well. Hydro finds that the Oseberg field center ought to be the connecting point for pipelines from the other fields.

Hydro's alternative will thus give the company, which operates the Oseberg field, a central role in the development and operation of a possible joint pipeline system. The company, moreover, claims that this solution will clearly be less costly than the Statoil alternative, involving a separate ascending pipeline platform.

Oseberg Decision on Pipeline

The Oseberg companies have adopted a decision on principle that the oil from the field will be taken ashore via pipeline. This presupposes that such a solution will not be less favorable from an economic point of view than buoy loading. Hydro's studies are aimed at finding out, among other things, how much a solution which only takes into consideration the needs of Oseberg will cost. If Oseberg is to join a joint pipeline, the companies participating in this field will not be paying more than the equivalent of the costs of the least expensive solution involving Oseberg alone.

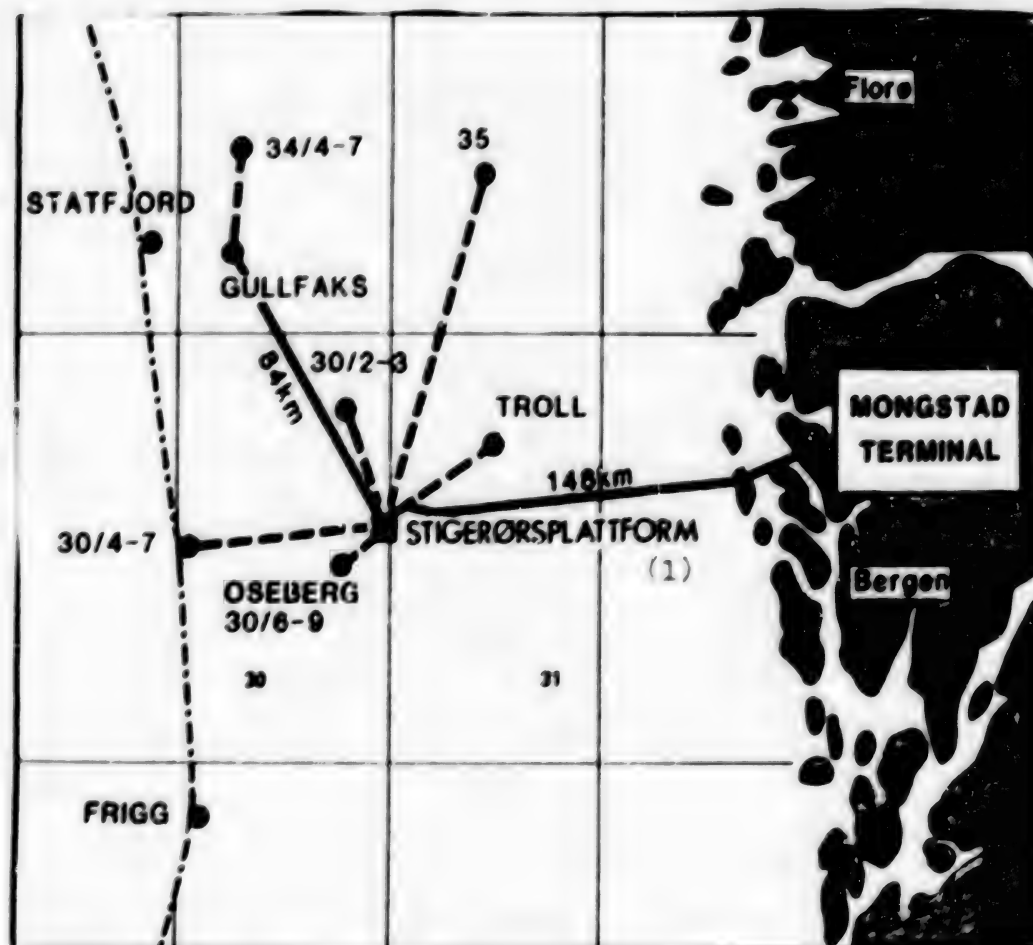
Statoil states that a joint pipeline will be a favorable alternative to Oseberg as well. In addition, "Gullpipe" will provide the best solution for the fields in the area seen as a whole, a solution which the company also finds will be the most favorable one for the society.

"Gullpipe" will have a capacity of 750,000 barrels per day, which is more than the entire present Norwegian oil production. The first phase of the project has been estimated to cost nearly 7 billion kroner. The pipeline is scheduled to be ready for operation in 1989. The total time needed to carry through the project as of the approval of the authorities is approximately 5 years.

It will cost a few hundred million kroner extra to carry on the pipeline from Hjartøy to Mongstad, but, at the same time, in building the terminal, advantages may be derived from the investments which have already been made in Mongstad. In addition, Statoil plans a terminal at Mongstad for trans-shipment of Statfjord oil.

Within oil circles, the tug-of-war between the two Norwegian oil companies is viewed in conjunction with the disagreement on the expansion plans for the Oseberg field. This question was discussed at a meeting within the Ministry of Oil and Energy last Tuesday. The question now is whether Statoil may conceivably support Hydro's expansion alternative if the state-owned oil company receives support for its joint pipeline project.

Political authorities are still aiming at having the Oseberg expansion plan ready for presentation in the Storting in the spring of 1984. The Storting discussion of the Oseberg expansion plan will make it necessary at the same time to take a position on the available plans for bringing the oil ashore.



Map shows how Statoil imagines the planned "Gullpipe" system. An ascending pipeline platform near Oseberg will be the meeting point for pipelines from the fields in the area, so that oil and condensate may be conveyed to Mongstad via a joint main pipeline.

Key: 1. Ascending pipeline platform

7262
CEO: 3/3/13

FIRM DIRECTOR URGES GOVERNMENT APPROVE STATOIL CHINA VENTURE

Oslo AFTENPOSTEN in Norwegian 17 Oct 83 p 26

[Article by Pål Stensaas]

[Text] Statoil enjoys great confidence among the Chinese authorities and may play a considerable role in opening the door for Norwegian offshore activities within the Chinese oil industry. Director Magne Reed, chairman of the Norwegian Offshore Association, tells AFTENPOSTEN that in order to achieve concrete results on the basis of the relationship of trust existing between Statoil and China, the company must be given occasion to participate in the activities on the Chinese shelf.

The Norwegian Offshore Association and the Norwegian Shipowners' Association have discussed the question in connection with Statoil's internationalization possibilities with the Ministry of Oil and Energy, with the concrete situation in China as the point of departure. Magne Reed points out that the organization appreciates Minister of Oil and Energy Kåre Kristiansen's hesitation to allow Statoil to establish itself abroad as long as the company administers the funds of the state. "We have no problem understanding the hesitation on grounds of principle, but in order to participate in the rather gigantic oil venture which China is about to undertake, we shall have to act now. Statoil's internationalization ought to wait until the report on this issue becomes available, but, as far as China is concerned, an exception ought to be made before "the train takes off," Magne Reed says.

7262

CSO: 3639/13

OIL PRODUCTION UP OVER TWENTY PERCENT OVER 1982

Oslo AFTENPOSTEN in Norwegian 26 Sep 83 p 27

[Text] During the first 8 months of this year, Norway's oil production reached nearly 20 million tons. This is an increase by 22 percent over the corresponding period last year. During the period January - August, the total production of oil and gas amounted to 35.5 million tons, which is 8.5 percent over the production during the corresponding period last year, it appears from the production figures of the Oil Directorate. The increase in the oil production is due to a higher rate of growth in the production than expected from the Statfjord field. During the first 8 months of this year, 10.2 million tons were produced from the Norwegian part of the field, as against 6.1 million tons during the same period last year. In August, however, the Statfjord production declined somewhat as a result of maintenance work at the Statfjord A-platform. The average daily production reached 328,000 barrels.

The oil production in the Ekofisk area shows a decline, from 9.7 million tons during the period of January - August last year to 8.9 million tons during the same period this year. The average production in August amounted to 290,000 barrels per day. As for the gas production from Ekofisk, the production dropped from 9.5 million tons oil equivalents to 8.5 million tons during the first 8 months of this year.

From Frigg the gas production corresponded to 7.0 million tons oil equivalents as against 6.9 million tons during the period of January - August last year.

The Norwegian share of the production from Murchison amounted to 571,000 tons of oil, while Valhall produced 330,000 tons during the first 8 months of this year. The average oil production at Valhall was 15,000 barrels per day in August.

7262
CSO: 3639/13

OIL PRODUCTION INCREASE CAUSING CONCERN FROM OPEC

Oslo AFTENPOSTEN in Norwegian 26 Sep 83 p 27

[Article by Bjørn H. Tretvoll]

[Text] The sharp increase in the Norwegian oil production at a time when most of the other oil producers have been forced to cut their production considerably, has given rise to great annoyance within the Organization of Petroleum Exporting Countries (OPEC) as well as among important OPEC members. To the rest of the world, Norway has, if anything, appeared as an unaware participant in the game which this year has marked the international oil market. The above remarks were made by Øystein Noreng, director of research at the Institute for Business Economics, to AFTENPOSTEN.

Noreng, who, for several years, has been working on oil issues, is in constant contact with experts within several important OPEC countries and discusses the market situation with these people. Our oil policy has previously created much sympathy for Norway among the OPEC countries. This sympathy we are now in the process of forfeiting, says Noreng, who is in the process of developing a research environment within the area of petroleum economics at the Institute for Business Economics.

With our high standard of living and with the prospects of a balance of payments surplus of 13-15 billion kroner this year, Norway is among the oil producing countries which have the greatest economic freedom of action and thus least reason to exert pressure to obtain an increase in production in a situation with a decline in the total demand for oil, Noreng points out.

He stresses that Norway's balance of payments would have been in equilibrium even if the oil production had been 8 million tons lower than what it now appears to become. Other oil-producing countries with a freedom of action corresponding to that of Norway, for example Kuwait and Saudi-Arabia, have used this freedom of action to adapt their production to the conditions of the market. Norway, however, continues to produce more than what it is actually allowed to, and that without having any strategy as to how to use the surplus, Noreng says.

Earlier this year the demand for OPEC oil had dropped as far down as to 13-14 million barrels per day. This caused many of the economically weakest OPEC countries with standards of living far below that of Norway to reduce their oil production considerably, an action which, in turn, resulted in greatly reduced export earnings. In this sensitive market, Norway increased its production at the great risk that even a minor increase in volume might bring about such a large decline in prices that our oil earnings would be reduced despite the increase in production.

Mexico Supporting OPEC

Mexico, which was in an unusually difficult financial situation, did, however, indirectly support the OPEC measure by producing less than the volume it was able to produce. Recently, there has been a certain amount of increase in the British production, but hardly any other major oil producer shows such a sharp increase in production this year as Norway, Noreng says.

Even if the Norwegian share of the total oil production of the world continues to be modest, Norway together with Great Britain covers nearly half the market for light oil with a low sulphur content. While other producers of these types of oil, such as Algeria, Libya, and Nigeria, earlier in the year reduced their production, there was no corresponding reduction in the production of the North Sea countries. One of the effects of this was that the prices of these light oil types, which usually are well above the OPEC reference price, were pushed downward, so that they periodically were below the reference price, Noreng says.

When the Norwegian production continued to increase in this situation, they began to ask themselves within OPEC circles whether Norway was interested in pressing prices even further down. Did the Norwegian authorities not want to limit the increase in their production of oil? Did they not realize the effects of such an increase in the Norwegian production, or were they unable to intervene against the companies and control the production? People within OPEC asked these questions of themselves. Considering that the entire increase in the production comes from the Statfjord field, a field 50 percent of which on the Norwegian side is owned by the state-owned oil company, it is difficult for outsiders to understand why the authorities are unable to control the production, Noreng says.

Banks Surprised

He says that the Norwegian production policy has also given rise to a certain amount of astonishment within the oil industry outside OPEC and in international financial circles. International banks with considerable commitments in oil exporting countries were very concerned at the Norwegian behavior. There were great fears of a dramatic drop in the price of oil, which would further aggravate the problems of indebtedness and the uncertainty within the international banking system. With its production increase, Norway contributed to a development in this direction.

[Question] Can Norway actually afford not to utilize the production capacity of its large North Sea investments?

[Answer] It probably is more costly having unexploited capacity in the North Sea than in Saudi Arabia, but also in the North Sea the profitability rate is so high that it is possible to keep some of the capacity in reserve. It is in our interest that the oil price remains at a high level, but we ought to avoid any rapid fluctuations with sharp price increases over short periods of time. It, therefore, may also be to our own advantage to keep a certain amount of unexploited capacity in reserve in case the market situation should harden.

[Answer] The International Energy Agency (IEA) has previously asked Norway to keep a certain amount of its production capacity in reserve because that may contribute to reducing the problems of the consumer countries if the market becomes hardened. We now have the possibility of doing it.

Paying Oneself

[Question] Should the IEA countries in that case not contribute toward the costs of such a reserve capacity?

[Answer] I believe that it would be a dangerous trend having others pay for such a reserve capacity. They will then, at the same time, demand to participate in the decision making as to when it is to be used. We should pay ourselves and thereby keep the full control ourselves. At the same time, we ought to see to it that the authorities are given better possibilities of controlling the production trends.

Noreng points out that it is in Norway's own interest having good relations with OPEC. Our long-term interests largely coincide with those of the major OPEC countries. When in the Storting [parliamentary] report No. 24 of 1974 we advocated stepping up the oil activities slowly, it possibly seemed rather arrogant toward the rest of the industrialized countries in the West which, at the time, saw a big need for increased oil supplies. The policy which we are now pursuing, on the other hand, appears arrogant toward OPEC, especially toward the poorest member countries. In addition, it seems, if anything, without regard for our own interests, Noreng says.

The oil which we do not produce this year is in no way lost. It may be produced at a later date, and, in the long run, it may prove to be a good investment leaving the oil intact. In a long-term perspective where there is every indication of a future shortage of oil, one cannot help asking oneself whether it was necessary to keep the production at such a high level in 1983. The additional Statfjord production has mainly contributed to creating larger reserves in the Bank of Norway, Noreng points out.

7262

CSO: 3639/13

MINISTER KRISTIANSEN ON PRODUCTION RATE, TAXES, NORTH PLANS

Oslo AFTENPOSTEN in Norwegian 13 Oct 83 p 21

[Article by Flemming Dahl]

[Text] "The authorities will now to a larger extent than earlier provide the conditions for making oil finds off North Norway which are worth exploiting," Minister of Oil and Energy Kåre Kristiansen stated at a seminar held in Oslo last Wednesday.

"It is my opinion that, in the course of 5-6 years, we should be able to find oil off North Norway, and that we ought to prepare ourselves for this task," he said.

Faster Rate

According to Kristiansen, this may happen by the opening of new blocks for exploration at a faster rate than previously planned. "I expect that a ninth and tenth concession round may come earlier than hitherto assumed."

Kristiansen, however, pointed out that the oil companies at present have occasion to apply for blocks in the eighth concession round, and he did not rule out the possibility that some of the blocks in this round will turn out to contain interesting deposits.

The reason for the increased efforts to find oil is, according to Kristiansen, that the optimism regarding gas finds worth exploiting has become considerably weakened after the disappointing test drillings of the summer.

It is generally assumed that an oil find need not be as large as a gas find in the northern part of the shelf to be worth exploiting, and as Kristiansen said: "Now we shall be making far more drastic efforts to find oil."

New Report to Parliament

Kristiansen, however, did not want to join the experts who during the last few days have literally excluded the possibilities of gas production in the north by the year 2000.

He stated that more concrete plans for the future exploration strategy are expected to be presented in a report to the Storting in the spring.

According to Kristiansen, the said report may discuss the dates for a ninth and tenth concession round. Nor did he rule out the possibility that the report may present points of view on the possible opening of entirely new areas of exploration, for example in the Barents Sea--in addition to the waters which have hitherto been opened on the Norwegian continental shelf.

If this happens, it will mean that the oil companies, to a larger extent than hitherto, will be able to start test drillings in some of the areas which they themselves consider to be the most promising ones.

Tax Concessions Unlikely

In answer to the question whether specially favorable tax conditions might be granted in the area to the north for the purpose of developing fields which, under the present conditions, are worth mining, Kristiansen answered that it seemed rather unlikely. He hoped to get the expansions started without having to take such steps.

On the disagreement between Statoil and Norsk Hydro on expansion solutions for the Oseberg field off Vestlandet, Kristiansen said that he expected a clarification in the course of a few days.

"It will be unacceptable if the expansion of the field is delayed as a result of disagreement," he stressed.

As far as AFTENPOSTEN has learned, the outcome will probably be that the proposal from Norsk Hydro--which is responsible for operations in the Oseberg field--will prevail in the dispute.

Kåre Kristiansen did not exclude the possibility that it may become topical to change the Norwegian oil tax system by the year 2000 in order by this means to make it profitable for the oil companies to expand minor oil and gas fields. But he felt that the present system is still so favorable for both the Norwegian society and the oil companies that it need not undergo any major changes in the near future.

Little Increase in Oil Needs

The oil needs of the free world are likely to amount to an average of 45 million barrels per day in 1983 and to increase moderately in 1984, the European chief of the Esso oil company, Dick Reid, stated in a lecture in Oslo last Wednesday.

Reid said that he felt that the crude oil price will remain constant for the time being. But he predicted that, in the coming years, more oil will continue to be used than the quantities found in new fields, and he added: "In the absence of a major technological breakthrough which will provide a profitable alternative to liquid petroleum energy, decreasing oil reserves and a gradually increasing demand may lead to an increase in the actual oil prices near the end of the eighties.

Reid, who has the title of president of Esso Europe Inc., expects the gross national product in the free world to show an average growth of 3 percent annually until 1990. "In that case, the average growth rate in the energy demand would amount to approximately 2.5 percent. The oil demand would, however, increase at a somewhat slower rate, possibly at well over 1 percent annually, with the most rapid growth rate in the developing countries," he said.

Reid made the reservation that all predictions may become entirely frustrated, not least in the case of new fighting in the Middle East.

He drew attention to the fact that right now it is a decade since the vast oil shock, which caused the oil market until today to develop in a dramatically different way than predicted by the experts in the seventies.

At the time, Esso predicted that the oil needs of the free world would amount to approximately 80 million barrels per day in 1983--nearly twice as much as the actual needs today.

At the same time, Esso predicted that the present crude oil price of a couple of dollars per barrel would remain constant for a decade, while today it is actually around 30 dollars after having been even higher for a period of time.

Reid also gave expression to the alarm at the Norwegian oil tax expressed by representatives of Esso and other companies during the last few months.

"We find that it is in the interests of Norway to moderate oil and gas taxes in accordance with the recent decline in oil prices and in accordance with the cost increases," Reid said. "With such a moderation, Norway will be certain that the activity on the continental shelf will not decrease," he said.

Reid drew attention to the fact that the Norwegian government during the last year has indicated that the oil tax system will become more flexible, and he said that this was encouraging.

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BRIEFS

GAS PRODUCTION IN NORTH STUDIED--Statoil does not rule out the possibility of gas production in Tromsøflaket by the turn of the century but is of the opinion that, if so, the gas will be transported to the markets by LNG ships (ships for shipment of liquid natural gas), not via pipelines. It is the approximately 170 billion cubic meters of exploitable gas in the Askeladden field which form the basis for the Statoil reports. The company agrees with Norsk Hydro and the Oil Directorate in their predictions that the gas production of Tromsøflaket will hardly be large enough before the turn of the century to justify the construction of a pipeline to the continent. [Text] [Oslo AFTENPOSTEN in Norwegian 13 Oct 83 p 20] 7262

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NATURAL GAS FROM DENMARK WILL SUPPLY WEST COAST OF SWEDEN

Stockholm DAGENS NYHETER in Swedish 30 Sep 83 p 10

[Article by Bo Engzell: "New Energy Project: West Coast To Receive Danish Gas"]

[Text] From DAGENS NYHETER, Skane Editorial Office. Malmo. Thursday. "Natural gas from Denmark will be supplied by Halmstad through Skane in 1986 and to the whole West Coast in 1987 with Goteborg as the principal partner. The cost for Vestgas to lay the pipelines is calculated at almost 1.5 billion kroner," said Torkel Osgard of Swedagas.

The hope is that Goteborg will take a positive attitude towards Vestgas which is a natural successor to Sydgas. The mainline from Denmark provides the transfer of 2 billion cubic meters of gas a year. Sydgas is nowhere near to being able to distribute that much gas. So far, Sydgas has only sold about 10 million cubic meters of gas of the 135 million cubic meters that will be imported initially.

But the sold volume will be increased very soon thinks Arvid Persson, deputy director of Sydgas. Today the potential clients are to be found in the private home sector. We expect that the industry will take a jump in 1985 and 1986.

The natural gas from Denmark will be available in Sweden October 1, 1985. The work of laying the pipelines will start this spring. That work will yield at least 700 jobs. In addition, this will provide contracts for work and labor in various Swedish industries.

The total cost for Sydgas will be 1.1 billion kroner. The state owns half of Sydgas.

"The sea pipelines from Denmark have the capacity to receive two billion cubic meters of gas annually," said Arvid Persson of Sydgas. It was slightly more expensive than to lay pipelines that would only have the capacity of 490 million cubic meters which is the maximum quantity Sydgas can be expected to distribute.

In other words, it is the surplus capacity that is now being taken advantage of by starting Vestgas. Goteborg municipality must make the choice of either providing natural gas or closing its existing gas plant. The alternative of natural gas should therefore be appealing.

Planning

The development of the system to Halmstad will be the responsibility of Sydgas. Then Vestgas will take over.

The natural gas will also be transferred to Trollhattan and Vanersborg through Goteborg.

The partners in Vestgas will be Goteborg, Vattenfall-Vest and the Yngeredsfors power company.

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PRICES FOR NUCLEAR ENERGY FALLING BEHIND INFLATION RISE

Stockholm DAGENS NYHETER in Swedish 14 Oct 83 p 10

[Article by Anders Nordstrom: "Vattenfall's Energy Prices Do Not Keep Up With Inflation: Losses at Nuclear Power Plants Too Heavy"]

[Text] The new energy prices Vattenfall will introduce as of next year will increase the losses for the eleventh and twelfth nuclear power plants by at least 200 million kroner annually by the end of the eighties.

The drop in real energy prices also meets with criticism from many of the private power companies. They say that there is no coverage for increased cost.

Vattenfall now offers its customers the chance to sign five-year contracts for energy deliveries. The contract is designed so that the energy price only rises by 65 percent of the inflation rate so the real energy price drops continually. Previously the contract included the energy price increase in step with the inflation.

For the two nuclear reactors that now are under construction, Forsmark 3 and Oskarshamn 3, the new energy price rates mean that the losses during the first years will be at least 200 million kroner greater annually than if the energy prices followed the inflation rate.

The reason is that the construction is financed with enormous bond loans amounting to 18 billion kroner for both reactors. The interest on these loans remain the same regardless of the energy prices. Besides, there is every indication that the operational costs will rise in step with the inflation rate.

For every ore that does not turn up in an increase of the energy prices per kWh, the income from the reactors will at the same time be reduced by 125 million kroner annually.

Today the energy price is about 15.5 ore per kWh. If we, for example, assume that for the next 5 years the inflation rate will be 7 percent on the average annually and the energy price follows the inflation rate, it would go up to 21.8 ore.

But with the contract Vattenfall now offers, the energy price will only rise by 65 percent of the inflation rate. If the inflation rate is 7 percent annually, it means that the energy prices will rise to 19.3 ore. The difference between an increase according to Vattenfall's new rates and an increase that follows that inflation rate will be 2.5 ore. For the Forsmark 3 and Oskarshamn 3 reactors this means about a 312 million kroner lower income based on the money value at that time.

Already before the new energy price rates were presented it was clear that both reactors would operate at great losses during the first years. With respect to the real drop in the energy prices which now is being implemented, it seems that Oskarshamn 3 and Forsmark 3 together will run at a loss of between 2 2.5 billion kroner during the first years of operation.

This year's losses will be carried partially by the state-owned Vattenfall and partly by power companies with private interests such as Sydkraft, Gullspang, Stora Kopparberg and ASEA-owned Scandinavian Electric Company.

"This is understood as a move in the government's anti-inflation policy," thinks Birger Anker, deputy director of Gullspang.

"This increase is actually too low for us. After all, the nuclear power investments are expensive and at the same time we are hit by the tax for the old hydro power which the government introduced earlier."

It is also felt at Stora Kopparberg that the price increases are on the low side.

"It gives poor compensation for the increased costs we will incur. The new energy price rates will definitely mean that our profit margins will be reduced," says Ake Gerge, deputy director of the Stora Kopparberg power division.

According to Jonas Norrby, general manager of Vattenfall, there are, however, no political adjustments behind the new energy price rates.

"I can definitely reject all talk about the new energy prices being set after political deliberations. We have hard profit demands and we will fulfill them with the new prices," said Norrby.

"Then, of course, we feel that it is gratifying that we at the same time can maintain a price trend that agrees with the inflation goals which the country's minister of finance put forth for excellent reasons."

"The new prices certainly mean that the new nuclear power reactors do not reach their break-even points as quickly as had been anticipated. But calculated for their total lifetime, we are convinced that they will become profitable with a good margin. It is normal to have them run at a loss during an opening period. Even our new hydro plants do that.

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INDUSTRY ASSOCIATION REPORT SEES RENEWED RISE IN DEMAND

Stockholm DAGENS NYHETER in Swedish 14 Oct 83 p 10

[Article: "Increased Energy Demand in Industry"]

[Text] After being unchanged for 10 years, the industrial energy consumption will now start to increase again. This is the forecast of a joint energy committee appointed by the Federation of Swedish Industries and KRAFTSAM, the umbrella organization of private power companies.

Since 1973 the energy consumption of Swedish industry has remained around 40 TWh. [Terawatt hour] annually. According to the committee, the consumption until 1990 will rise to between 46 and 53 TWh, an increase of between 15 and 32 percent.

"That we have large margins in our forecasts is a manifestation of great uncertainties that are always present in such calculations," says Torsten Lindstrom from ASEA who has chaired the committee.

The committee has found that during the past 10-year period, the oil consumption in Swedish industry has decreased greatly. The oil consumption in 1973 corresponded to 75 TWh. In 1982 that figure had dropped to 45 TWh.

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BRIEFS

MINISTER ON OIL DEPENDENCY--It is true that the import of oil has dropped substantially. But on the other hand, the oil is ten times more expensive today than in the beginning of the seventies. Oil dependency is therefore still one of our biggest problems. This is what Energy Minister Birgitta Dahl said on peat-day at KEAB [Municipal District Fuel, Inc.] in Solleftea on Wednesday. "The concentration on peat is one of the most important energy policy measures and KEAB is an excellent example of how a peat project should be operated," said Dahl. KEAB consists of Harnosand, Solleftea and Kramfors municipalities. After the nuclear power vote they joined forces to extract peat from the Norrmossaflon. [Text] [Stockholm SVENSKA DAGBLADET in Swedish 30 Sep 83 p 26] 9583

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